



Michel Camdessus of France, managing director of the IMF, at a news conference Monday.

## IMF Sees Long Debt Struggle

### Admits Rates Are High but Affirms Baker Strategy

By Hobart Rowen

WASHINGTON — Although resolution of the Third World debt problem "is likely to take longer than was expected," the basic debt strategy devised two years ago by Treasury Secretary James A. Baker 3d should not be altered, the leading political figures who manage the International Monetary Fund said Monday.

The IMF's Interim Committee, which convened here over the weekend prior to the opening Tuesday morning of the annual IMF-World Bank meeting, admitted that the debt crisis was not responding to help as quickly as had been hoped, in part because of low commodity prices and a recent trend of high interest rates.

But in a long communiqué, the Interim Committee — to the dismay of attending Third World participants — urged that nations say pretty much what the Baker "case-by-case" approach to debt strategy, except for modest refinements in the form of "market-oriented options" that the banks might substitute for traditional loans.

"This is the only way in which adjustment programs and financing flows can be tailored to individual country circumstances," the communiqué said.

Mr. Baker, meanwhile, lent some support Monday to a new request by Brazil to renegotiate \$68 billion of foreign bank debt by saying it was not necessary that it first reach an accord with the IMF.

Mr. Baker's debt plan, unveiled two years ago at the annual IMF-World Bank meeting in Seoul, called on the multilateral and commercial banks to expand their loans to 15 major debtor countries, on the condition that those countries undertake specific economic reforms to boost efficiency and economic growth.

But the debtor countries have openly and bitterly challenged the Baker plan, warning that they see it as a stand-pat policy that could lead to defaults.

A report over the weekend by the Group of 24, a steering committee See IMF, Page 21



With Lech Walesa, right, a founder of Solidarity, Vice President Bush laid a wreath Monday at the tomb of Father Jerzy Popieluszko who was abducted and murdered in 1984.

## Bush Appears Publicly With Walesa In Ceremony at Popieluszko's Grave

By Jackson Diehl and David Hoffman

WASHINGTON — Vice President George H.W. Bush gave the benediction Sunday at a dramatic ceremony at the tomb of Father Jerzy Popieluszko, a Polish priest who was abducted and murdered in 1984.

The crowd responded with chants for Solidarity, Mr. Bush, Mr. Walesa and President Ronald Reagan. "We want Lech, not Wojciech," they shouted at one point, referring to the Polish leader, General Wojciech Jaruzelski.

The church appearance was designed to boost Mr. Bush's presidential campaign as well as Solidarity, Bush aides gave special access to a camera crew hired by his campaign to tape the vice president and the Solidarity leader before the tumultuous crowd.

The statement followed an emotional scene at Warsaw's St. Stanislaw Kostka church, where Mr. Bush laid a wreath on the grave of the murdered pro-Solidarity priest, Jerzy Popieluszko, then stood with Mr. Walesa on a balcony and

waved Solidarity's victory sign at an enthusiastic crowd.

"I am proud to be standing next to Lech Walesa, a man so respected in the United States," Mr. Bush told the crowd of several thousand.

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The statement followed an emotional scene at Warsaw's St. Stanislaw Kostka church, where Mr. Bush laid a wreath on the grave of the murdered pro-Solidarity priest, Jerzy Popieluszko, then stood with Mr. Walesa on a balcony and

signed a science and technology agreement. Mr. Bush's ringing endorsement of Solidarity clearly offended the Polish government, which had hoped that his trip would lead to a significant improvement in U.S.-Polish relations.

The Polish authorities had anticipated that Mr. Bush would endorse Solidarity and meet with Mr. Walesa. But the vice president went beyond the usual practice of Western visitors by doing so in public.

Immediately after Mr. Bush's television appearance, during the widely-viewed evening news, a commentator for the Communist Party newspaper Trybuna Ludu said that the vice president "did not get rid of all myths and illusions" about Poland during his visit. Later, a program featuring commentators who further criticized the statement was broadcast.

One commentator suggested that Mr. Bush had made the remarks in the hope of attracting Polish-American support for the Republican Party. "They were pretty words," said Maximilian Berezowski, another journalist on the program. "But what did they hide? A certain discrediting which is typical of Americans."

Mr. Walesa was jubilant. "I am truly surprised but now I understand the greatness of America which has such wonderful representatives," he told Western reporters. "Mr. Bush is a great man who indeed deserves to lead a great nation."

Accompanying Mr. Bush through the church as the crowd chanted their names, Mr. Walesa turned to the vice president and said, "Why don't you stay here and run for president?"

The spectacle of Mr. Bush and Mr. Walesa was ignored by the state-run media. As Mr. Bush waited See BUSH, Page 2

## New Mines Are Found In the Gulf

### Iran Is Blamed; Pre-emptive U.S. Raids Ruled Out

By John Kifner

MANAMA, Bahrain — Iran has sown a new minefield in the busiest shipping lane of the Gulf, maritime sources said Monday, causing consternation among the U.S. Navy and merchant seamen.

Those mines have been laid it again, Rear Admiral Harold Bersen, the commander of the Middle East Task Force, was heard to say as he rushed from a ceremonial dinner Sunday night given by the emir of Bahrain, Sheikh Issa bin Salman al-Khalifa, for Secretary of Defense Caspar W. Weinberger.

The new minefield lies off Dubai in the United Arab Emirates, in the deep-water channel just south of the Iranian island of Abu Musa.

[The United States will not hesitate to act when ships are spotted laying mines in the Gulf or other hostile acts are committed, a White House spokesman said Monday, according to United Press International. But administration officials also said that the U.S. policy "does not authorize pre-emptive strikes."]

The mines were dropped into the Gulf less than a week after U.S. helicopters raided an Iranian amphibious landing craft, the Iran Ajr. The raid, which produced television footage of the captured mines aboard the ship, was a rare propaganda triumph for the United States.

The raid was mounted just before President Ali Khamenei of Iran addressed the United Nations General Assembly on the Gulf war. Twenty-six Iranian sailors were captured and sent back to Iran, the bodies of three were recovered and two more seamen were missing and presumed dead. The ship was blown up.

Led by the United States, Western nations are assembling a large force of naval vessels, including minesweepers, to protect the oil shipping of Kuwait, thus, in effect, siding with Iraq in its war with Iran.

British minesweepers began operations in the Gulf for the first time Monday, a Defense Ministry spokesman said in London.

In the war itself, Iraq continued its renewed wave of air raids on Iranian economic targets, hitting another Iranian tanker close to the shipping terminal at Kharg Island on Monday.

Nearly all of the oil tankers and other ships headed for the Arab states on the western side of the Gulf must use this channel. The area near the Iranian side has been declared an "exclusion zone" where ships can be attacked by Iraq, and the waters nearer the western shore rapidly become dangerously shallow, particularly for heavily laden tankers.

"This is the busiest shipping lane in the Gulf," said a Western diplomat.

Shipping from the various ports of the United Arab Emirates came to a near standstill Monday, shipping and salvage sources said.

"If there are more mines, it's going to put the fear of death into people around here because no place will be safe," said a shipping agent in Dubai, reached by telephone.

U.S. Navy officers said privately that the Task Force was becoming overwhelmed with the job of finding the mines and could not keep up with the Iranians.

U.S. Role Clarified  
A White House spokesman, Martin Fitzwater, said Monday that the "rules of engagement have See GULF, Page 2

## Soviet Commentators Urge More Openness From Military

By Celestine Bohlen

MOSCOW — Excessive secrecy about military spending and preparedness in the Soviet Union is outdated in the new era of openness, according to Soviet commentators writing in journals.

The challenge for more complete facts and figures from the powerful Ministry of Defense comes after

the Soviet leader, Mikhail S. Gorbachev, promised in an article published Sept. 17 to do "more work" on providing comparable military figures as a way of building East-West trust.

"I think that given proper effort," Mr. Gorbachev wrote in an article published in the Communist Party daily, Pravda, "already within the next two or three years we will be able to compare the figures that are of interest to us and our partners."

Soviet intentions to lift, at least partly, the cloak of secrecy that traditionally has surrounded its military establishment were confirmed in an article that appeared in the weekly Moscow News earlier this month.

The commentator, Viktor Zoppi, said the Soviet Union was prepared to publish "not only the budget

figures directly connected with expenditures by the U.S.S.R. Defense Ministry," but also those connected with the financing of research and development "and with the purchase of arms and military hardware."

The Soviet budget annually lists a figure for military spending, which Western analysts view as grossly understated. The figure recently went up slightly, reaching 20.2 billion rubles (\$33.6 billion), or 4.6 percent of total state spending in 1987.

Writing this month in the Communist Party journal Kommunist, Stanislav Kondrashov, a well-known international commentator for the government newspaper Izvestia, said the lack of "necessary information about military and

See SOVIET, Page 2

## Gorbachev Is Expected To Meet French Group

Resters

MOSCOW — Mikhail S. Gorbachev, who has not been seen in public since Aug. 7, is due to receive a French delegation Tuesday, a Soviet official said Monday.

The long absence of the Communist Party general secretary has prompted speculation that he was ill or facing political opposition but Soviet spokesmen said last week that he was on vacation and in good health.

The delegation that is expected to meet him is headed by former Prime Minister Pierre Mauroy.

Soviet television said that it would film the meeting.

In Mr. Gorbachev's absence, Yegor K. Ligachev, the Communist Party's chief ideologist and its hard-line number two, has been prominent. Last Friday, he received the French Socialist Party first secretary, Lionel Jospin.

Mr. Gorbachev responded to a letter from an anti-nuclear group congratulating him on the recent arms cuts agreement, saying that Moscow will not "desist from pursuing our objective," The Associated Press reported from Cambridge, Massachusetts.

Dr. Bernard Lown, co-president of the International Physicians for the Prevention of Nuclear War, which won the Nobel Peace Prize in 1985, was handed the five-sentence message Friday in Washington by the

judge, for the prosecution and for the defense.

Whatever may have happened in the Pierson home and whatever Judge Sherman decides, this silence and the way it has now been broken in open court has focused new attention on a subject long buried in secrecy.

In many ways incest is society's last unspeakable taboo. As Miss Pierson's case has attracted attention around the United States, psychiatrists, social workers and others say the public debate has helped pierce the silence that permits incest and similar forms of sexual abuse to continue.

"The essence of incest is secrecy," said Dr. Judith L. Herman, assistant clinical professor of psychiatry at the Harvard Medical School and author of the book "Father-Daughter Incest." "Anything that breaks the silence — breaks the taboo on talking about it —

See TABOO, Page 2

Soviet ambassador, Yuri V. Dubinin.

A week before, the group had sent Mr. Gorbachev a letter in which Dr. Lown praised the Soviet part in the arms agreement but also urged a comprehensive test ban treaty. A similar letter was sent to President Ronald Reagan.

Dr. Lown said the message "had a personal flavor. I have seen Mr. Gorbachev three times for a total of eight hours. I have no doubts whatsoever it came from him."

See WORK, Page 2

## NYSE Up Sharply On Dollar Accord

Prices on the New York Stock Exchange rose sharply Monday in response to a stronger dollar that was bolstered by the Group of Seven's reaffirmation over the weekend of an agreement to keep exchange rates stable.

The Dow Jones industrial index climbed 31.33 to close at 2,601.50. Trading was active. Page 16.



The Bremerhaven fish-auction hall has been deserted following claims that some fish are infested with worms.

## German Fisheries: A Storm Ashore

By Ferdinand Proetzman

BREMENHAVEN, West Germany — At 5 A.M., the Bremerhaven fish-auction hall is shrouded in mist, presaging a gloom, foggy dawn. Only one trawler, from Iceland, is moored to the half-mile (800-meter) long wharf, the lights on boat's superstructure halved by chilly mist. The air reeks of fish.

Inside the vast hall, running nearly the length of the wharf, the day's offerings of redfish, salmon, sole and cod, packed in ice and displayed in white plastic crates, lie on the concrete floor under glaring, fluorescent lights. A veterinarian and two health inspectors sort through the catch, grading it by quality and freshness. There is little to do. The hall is nearly empty.

Later, small numbers of fishermen, wholesalers, retailers, restaurant buyers and auction workers begin filtering in, wandering among the fish, sipping coffee, smoking and debating prices before the auction begins at 7 A.M.

Their mood is as grim as the weather, because the industry is in the midst of a crisis brought on by allegations that some North Sea fish are infested with round worms and round-worm larvae, which can pose a health threat to consumers.

"It's a catastrophe," said the auctioneer, Herbert Buschardt, who has been dropping the gavel on fish sales here for 48 years. "These are the worst times I've seen. What we had today was nothing compared to a normal auction. The consumers have lost faith in us, although fish have always had worms and

there is no health threat. All because of that TV program."

He was referring to a monthly public affairs program called "Monitor," aired by West Germany's ARD television network. The broadcast on July 28 carried a graphic report on the North Sea fishing industry, showing just more than 10 million viewers close-ups of worms being dug from the bellies and flesh of herring, of worms squirming on a knife point and wriggling under a microscope. Blow-ups of the worms made them look like huge snakes.

A young man interviewed, who had had a 12-centimeter (4.7-inch) section of his large intestine removed after doctors found a worm, claimed that the worm came from eating pickled herring. A doctor described See FISH, Page 21

## Salvador Land Reform Turns Into Nightmare

By Lindsey Gruson

ROSARIO DE MORA, El Salvador — When José Eleuterio Cruz received a tiny plot of land just below the rocky spine of a mountain ridge here seven years ago, it fulfilled his lifelong dream to own the ground he works. But now that dream is little more than a nightmare and he is thinking of giving up and moving to another area.

"It's bad land," said Mr. Cruz, who is 35 and has four children. "Every year it produces less. I don't have enough money to buy fertilizer. I don't have enough to pay the mortgage. My life isn't better, it's worse. I've been working that piece 11 years and I'll have to leave soon."

Mr. Cruz's plight is an example of the problems that have led to a sharp decline in agricultural production and a surge in discontent with the land program in El Salvador.

In addition, many of the cooper-

dor, a program that is the backbone of the U.S.-supported attempt to bring social stability to the country.

The program was largely written by officials attached to agencies strongly influenced by U.S. policy. It is the major component in the U.S. effort to help the government of President José Napoleón Duarte win over the peasants and support for leftist rebels. The U.S. Agency for International Development has put more than \$200 million into the effort.

The former U.S. ambassador to El Salvador, Robert E. White, once hailed it as "the most revolutionary land reform in Latin American history." But widespread circumvention by large landowners and inequities of land ownership remain among the most fertile issues for the Marxist-led guerrillas fighting Mr. Duarte's government.

In addition, many of the cooper-

See LAND, Page 2

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YES  
In N.Y., a Killing Pierces Silence on an Old Taboo  
By Dena Kleiman  
NEW YORK — When all had been said and done, and all the neighbors and friends who testified that they had suspected sexual abuse but had never done anything had gone home, the judge in the Cheryl Pierson case still wanted to know one thing:  
Why had Miss Pierson, who says she hired a high school classmate to kill her father because he had sexually abused her, never told anyone about the abuse or sought help?  
"It would have taken very little," the judge, Acting Supreme Court Justice Harvey W. Sherman, said last week at the close of Miss Pierson's pre-sentencing hearing in Riverhead, New York. "It is most troublesome to this court."  
In many ways, this silence by the 18-year-old former cheerleader and by so many neighbors and friends lies at the heart of the case, for the







## Aides Deny That Reagan Approved Reported Bid To Kill Lebanese Sheikh

By David B. Ottaway  
and Lou Cannon

WASHINGTON — The White House, reacting to a published account of U.S. involvement in a secret attempt to kill a Lebanese Shiite leader, said Monday that President Ronald Reagan never authorized that or any other assassination attempt.

"The president never did, never has and never will authorize assassinations," said the chief White House spokesman, Martin Fitzwater.

Like other Reagan administration spokesmen Monday, Mr. Fitzwater sought to avoid answering questions regarding what the president knew about the activities of the late CIA director, William J. Casey.

Mr. Fitzwater refused to be drawn into a discussion of whether Mr. Reagan had signed a national security directive that set in motion actions leading to the assassination attempt.

The questions were based on assertions in a book about Mr. Casey and the CIA by Bob Woodward, the Washington Post's assistant managing editor for investigations. The book says Mr. Casey had arranged privately with the Saudi Arabian intelligence service to assassinate Sheikh Mohammed Hussein Fadlallah, who is believed to be the main spiritual leader of the extremist Shiite group Hezbollah, or Party of God.

The book, "VEIL: The Secret Wars of the CIA, 1981-1987," went on sale Monday.

At the time of the assassination attempt, Mr. Reagan had signed a directive for the CIA to train three five-man Lebanese units to be used in pre-emptive strikes against terrorism, Mr. Woodward writes.

After the agency got cold feet about using the units, Mr. Woodward says, Mr. Casey went "off the books" and arranged for the assassination attempt.

On March 8, 1985, a car bomb exploded 50 yards (45 meters) from the apartment building where

Sheikh Fadlallah lives in Beirut, killing 80 persons and wounding 200. Sheikh Fadlallah was not hurt.

Former and present leaders of the intelligence committee in Congress reacted cautiously Monday to Mr. Woodward's account of how Mr. Casey had sought to circumvent their panels.

Several echoed Senator Patrick J. Leahy, Democrat of Vermont and former vice chairman of the Senate intelligence committee, who said through an aide that he wanted to read the entire book before making any detailed comment.

**Widow Denies Account**  
Earlier, Molly Moore of The Washington Post reported:

Mr. Casey's widow has denied that Mr. Casey admitted on his sickbed that he had known about the diversion of profits from Iran arms sales to aid the Nicaraguan rebels.

Sophia Casey said Sunday that when Mr. Woodward tried to visit her hospitalized husband, security guards stopped him before he could enter Mr. Casey's room.

Mr. Woodward reports in the book that during a visit to Mr. Casey's bedside, the CIA director indicated by nodding that he had known about the diversion of the profits to the rebels, known as contra, and explained with two words, "I believed," before falling asleep.

"That is untrue, it's a lie," Mrs. Casey said. "He never got in to see my husband."

She said that either she or her daughter was at Mr. Casey's bedside "every day, every hour, every moment" he was in hospitals in Washington and on Long Island, New York, from December 1986 until his death May 6.

"I stand by everything in the book, including the visit I made to Casey's hospital room when I talked to him as described," Mr. Woodward said Sunday.

Mrs. Casey also disputed assertions in the book that Mr. Casey found Mr. Reagan "strange," "lazy" and "distracted."

## U.S. Joins Celebration Of French Revolution

By Irwin Molotsky

New York Times Service

WASHINGTON—Not long after having marked the 200th anniversary of the U.S. Constitution, Americans have joined their oldest ally in preparing for the bicentennial of the French Revolution in 1989.

Edgar Faure, chairman of the commission planning the Paris celebration, brought to Washington a model of the huge structure that will be the symbol of the French bicentennial.

The structure, about 330 feet (100 meters) on each side, is being built at La Défense, the high-rise office and residential complex west of Paris, and is dedicated to the study of human rights. "It is my Eiffel Tower," Mr. Faure, a former president of the National Assembly, said at a reception at the French Embassy last week.

"It will be a good place for having meetings and receptions in 1989," he said, "but I want to go further, to establish it as a foundation for the interdisciplinary study of human rights, to look forward to the next 200 years."

At the reception, the embassy announced the formation of a committee to help plan American activities during the bicentennial. Among the committee members attending were Warren E. Burger, the former chief justice of the United

States and chairman of the continuing bicentennial observance of the Constitution; Walter H. Annenberg, the publisher and former U.S. ambassador to Britain; Emmanuel de Mangerie, the French ambassador to the United States; and Charles McC. Mathias Jr., the former U.S. senator from Maryland.

Mr. De Mangerie said there would be many French bicentennial events in the United States, including art exhibitions, concerts and academic symposia.

There are tentative plans for performances of "Vallée," a new French opera by Ted Machover and Catherine Ham, in Boston and New York, and an exhibition of the French crown jewels and treasures in Washington. Chicago is to present a show of French architecture.

The Houston Grand Opera is to mount a coproduction with the Nice Opera and the Aix-en-Provence Festival. The film archives of the University of California, Los Angeles, is planning a festival of French films on the French Revolution that might be taken on a national tour.

Mr. De Mangerie, in an interview, commented on "the intertwining of the American and French revolutions," as he spoke of the work of Thomas Jefferson and Benjamin Franklin in Paris, and of the support they won from France for the American cause.



The six Democratic candidates for president before a foreign policy debate in Iowa. Left to right, they are: Richard A. Gephardt, Jesse L. Jackson, Albert Gore Jr., Paul Simon, Bruce Babbitt and Michael S. Dukakis.

## '88 Democrats Clash Over Foreign Policy

By E.J. Dionne Jr.

New York Times Service

DES MOINES, Iowa — The six Democratic candidates for president, who had studiously avoided major disagreements on issues, clashed, at times sharply, over a wide range of foreign policy matters in a debate here.

In the debate Sunday, sponsored by an Iowa antiwar group, Senator Albert Gore Jr. of Tennessee repeatedly criticized his rivals, saying they had helped to foster the impression that Democrats were against "every single weapons system that has been proposed."

Mr. Gore and Bruce Babbitt, the former governor of Arizona, criticized Representative Richard A. Gephardt of Missouri for proposing a ban on all in-flight testing of missiles. They argued that such a ban would prevent any modernization of U.S. forces and weaken nuclear deterrence.

The debate offered the first sign that foreign policy issues could divide Democrats in 1988, as they have for years.

The debate, sponsored by the Stop the Arms Race Now Political Action Committee, offered indications of where the various Democratic contenders intend to position themselves.

Mr. Gore sought to present himself as the candidate with the toughest line on the Soviet Union, seeking to occupy some of the ground that Senator Sam Nunn of Georgia would have staked out had he been a candidate.

At the other end of the spectrum, Senator Paul Simon of Illinois and the Reverend Jesse L. Jackson clearly were courting the antiwar activists, who play an important role in Democratic primaries and caucuses.

Governor Michael S. Dukakis of Massachusetts often leaned in the direction of Mr. Simon and Mr. Jackson.

But Mr. Dukakis, along with Mr. Babbitt and Mr. Gephardt, seemed to be seeking a balance of positions that would appeal to the Democrats' liberal constituency without alienating centrist voters.

The sharpest exchange came when Mr. Simon asked why Mr. Gore had voted for so many weapons systems, including the MX missile.

"The question itself is part of the problem we have been facing," Mr. Gore retorted. The Democrats, Mr. Gore charged, sometimes seemed to be sending the Soviet the message that they "may be able to get exactly what they want without giving us anything."

Mr. Gore also took issue with a suggestion by Mr. Dukakis that the United States consider withdrawing troops from South Korea.

Mr. Dukakis replied sharply: "The first thing to do is to get your facts straight." Mr. Dukakis said he had only suggested that the United States make clear that it was willing to withdraw its troops from South Korea if the Korean government did not move toward democracy.

"I didn't spend 16 months in Korea so these generals could deny human and labor rights to the people of Korea," said Mr. Dukakis, a veteran who served in South Korea in the mid-1950s. Peppared with questions by reporters after the debate, he said that he was not proposing a withdrawal of U.S. troops, and that South Korea had been making progress on human rights in recent months.

Early in the debate, there was general agreement among the contenders on a broad range of issues, and the candidates frequently exchanged compliments. Mr. Babbitt praised Mr. Dukakis' tough stand against the South African government, and Mr. Dukakis praised Mr. Babbitt for encouraging all the candidates to focus on the importance of Mexico to the United States.

The consensus among the candidates was especially pronounced

on aid to the Nicaraguan rebels, which all of the contenders opposed, often in strong language.

Mr. Gephardt accused the Reagan administration of putting "the Constitution of the United States through the shredder" in its Nicaraguan policy. Mr. Babbitt called the administration's policy in Nicaragua "a slow-motion Bay of Pigs."

Still, even on the Nicaraguan issue, Mr. Gore sought to differentiate himself from the others.

After Mr. Simon, Mr. Jackson and Mr. Babbitt had taken forceful positions against the rebels, known as contra, Mr. Gore said: "All of the others have said basically the same thing. I agree with some of it and disagree with some of it."

While Mr. Gore said that he, too, opposed military aid to the contra, he supported "assistance" or "humanitarian" aid to the contra while the United States pursued the peace plan advanced by President Oscar Arias Sánchez of Costa Rica.

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## OPINION

## The Problem With 'Stealth' Is the Way It Hides Its Flaws

By William Safire

WASHINGTON — You're a nut who loves driving fast. Your "fuzz buster" warns that your speeding vehicle is being tracked by a state trooper's radar. What to do?

You stop, hop out and redesign your car. To reduce the radar cross section, you smooth out all sharp corners, conceal all air inlets and exhausts, bury the engine deep within convoluted ducts, and break off the telephone antenna.

Because your metal surface bounces microwaves back to the radar screen, you paint on a carbon-fiber epoxy, or spray on a ferromagnetic material from your stereo's recording tape — either one will soak up the searching waves and interfere with the radar echo.

You rub that glossy plastic covering with grayish dirt to give the surface a non-reflective matte finish. Finally, to jam the local cops' higher-frequency radars, you turn on your "spoofers" and zoom off.

You'll wind up in jail, but with the satisfaction of being the first in your cell block to have applied Krasnoyarsk-defying Stealth technology to your car.

Mere mention of the word "stealth" sets off all the recording equipment in the National Security Agency's Big Ear. By what right do I spill America's most intimate defense secrets in this space?

I read it all in *Popular Science* a year ago, and those guys figured it out from common knowledge and common sense. Moreover, the KGB can get a fix on the status of the Advanced Technology Bomber from reading the quarterly financial reports issued by Northrop.

Apparently there are big problems with Stealth. Northrop recently reported a \$124 million write-down partly because it had to apply money formerly allocated to production back to research costs. Stockholders in Moscow's Dzerzhinsky Square know that this points to the same kinds of technical setbacks

leading to cost overruns and delays that were associated with the older B-1. Thanks to a sensible acquisition policy put in place by Cap Weinberger, the financial risk in weapons research is not borne exclusively by the taxpayer. But if Stealth is stumbling now, a scandal may be brewing that will explode in the next president's administration.

We're talking big bucks, mysteriously buried (\$10 billion a year?), as well as fierce internal strategic competition, conducted in what I suspect is unnecessary secrecy. In the Pentagon, the "star wars" crowd is competing with the Stealth cluster for a share of the budget pie, and both are fighting the conventional weaponry set. But because Stealth cannot be openly discussed, the normal public debate about manned aircraft strategy is suppressed.

It is not even admitted that 50 Stealth aircraft are already operational in Nevada. These are not bombers but fighters produced in Lockheed's California "Skunk Works" (and presumably fueled by Kikkapoo Joy Juice). They are called "see-sins," for CSIRS, "Covert Survivable In-Weather Reconnaissance Strike" aircraft, which is Pentagonese for "it's kind of hard to spot them in the rain."

If these F-19 Nighthawk fighters are as "low observable" as the designers hoped, we can expect stabilization to work on the B-2 bombers, too, and the Pentagon will be able to paint cruise missiles with the new invisible ink and sing "Over the Tacti Rainbow."

But hold on: What if some radar-hacking trooper comes up with a new way to rejigger his radar to nab the supersmart speeder who rubs gray dirt on his epoxy finish? Are Americans prudent to bet so much of the budget on a technology that may be quickly countered or overruled? And aren't both superpowers working on super-radars to see Stealth missiles?

Maybe the B-2 Stealth bomber will turn out to be all it was cracked up to be. But maybe the recent suggestion by Les Aspin, chairman of the House Armed Services Committee, that the subsystems (engines, avionics) be opened to competition is a hint that the bomber of the future is in real trouble.

We do not know. Nor do we know if reliance on manned bombers is slowing "star wars" development or undercutting conventional weaponry. That is what bothers me about the sacrosanct Stealth program. The oversight committees may or may not be doing their job, but thanks to supersecrecy we will not know until it is too late.

Hold tight to the secrets on the details, but open up the debate about the strategy. America may want to press ahead with military technology during the new detente, but it must not let problems in Stealth creep up on it.

The New York Times.



## From U2, Music of Purpose and Compassion

By Colman McCarthy

WASHINGTON — If you have listened to teen-agers lately — I get the mind-blowing every evening at dinner, times three — be comforted, not alarmed, when they speak of rock music in one sentence and Amnesty International in the next. They're U2 kids.

U2 is the band from Dublin whose sixth album, "The Joshua Tree," was at the top of *Billboard's* chart for nine weeks this spring. In April the four Irish rockers were on the cover of *Time* magazine. Last week, Bono Hewson, the band's singer and songwriter, was on the front of *Rolling Stone*, with a 3,000-word interview inside. The group is currently touring the United States, playing in 46 stadiums and arenas with ticket sales already beyond 1.5 million.

What's it all about? U2 produces music the way Patrick Kavanagh did poetry and Sean O'Casey prose: with a passion that touches the heart and a purpose that raises the mind. The other evening in Robert F. Kennedy Stadium here, 45,000 people assembled for a concert in which U2 sang of Martin Luther King Jr., El Salvador and Northern Ireland.

One of the loudest thunderings of applause came when Bono Hewson spoke of Amnesty International and of his commitment to getting political prisoners out of the world's jails. Spontaneously, two members of the audience came onstage and unfurled a wide banner lettered with one word, AMNESTY, and painted with the peace symbol. That evoked another roar of approval.

When kids pile into a car and say they are heading into the night for a rock

concert, some parents either start phoning other parents to spread the worry ("I just know they'll be smoking pot") or silently thank the members of the anti-dirty-lyrics campaign. There is another option for parents, at least if it's a U2 concert: Go, look and listen. U2 tells the young they owe a debt to life.

U2 echoes the message of Martin Luther King: Be other-centered, not self-centered. Someone in the audiences must

## MEANWHILE

be listening. In the year that U2 has made Amnesty International part of the evening, U.S. membership has increased by 100,000, to 265,000. The number of Amnesty chapters in high schools and colleges has gone from 250 to 510.

The band's members do not hype themselves as world-savers. They are, after all, from a land with irreverence to preaching. "There is a radical side to Christianity that I am attracted to," Bono Hewson says in *Rolling Stone*. "And I think without a commitment to social justice it is empty. Are they putting money into AIDS research? Are they investing in hospitals so the lame can walk? So the blind can see? Is there a commitment to the poorly fed? Why are people left on the side of the road in the United States? Why, in the West, do we spend so much money on extending the arms race instead of wiping out malaria, which could be eradicated given 10 min-

utes' worth of the world's arms budget?"

Some would put that down as the standard line of the utopian left. Some do not want the young to have their chance at reforming the world.

Would U2 buy that line, considering it is part of an industry that gives us the Sex Pistols, Boy George, Twisted Sister and sourpusses like Mick Jagger? "No longer do fans of music run the music business," Bono Hewson says. "Fans of money run the music business."

U2 is distinct, first, because it has worked for a decade — since four teenagers came together in 1978 in a Dublin kitchen — to create hauntingly beautiful sounds and, second, because U2's call to action begins with the inner self. "I'm more interested in... a revolution of love," Mr. Hewson says. "I believe that if you want to start a revolution, you'd better start [it] in your own house and your own way of thinking and of relating to the men and women around you."

In Washington, a Georgetown University student wrote to a friend about "the peaceful experience of last night's U2 concert. With the stadium in total darkness, the night pierced by the lights of thousands of lighters and tens of thousands of voices raised in one song, there was an eerie, peaceful, almost religious sense to it. The song was the refrain to a ballad: the audience was singing, not to entice the band into coming back — we knew it wouldn't. We were singing for ourselves."

A dreamy idealist? A self-centered college kid? Neither.

The Washington Post.

## LETTERS TO THE EDITOR

## A Mosaic of Tolerance

I must object to Michael Richardson's report "Ethnic Tension Grows in Malaysia, Especially Among Young" (*Sept. 17*) for two main reasons. First, in the international context and national perspective, Mr. Richardson paints an alarmist picture of the deterioration of the multiracial situation in Malaysia. Second, the article does not merit front-page placement, as the events the writer describes are quite ordinary.

Malaysia, a nation whose people are of various races, varied backgrounds and unequal economic standing, is likely to have ongoing debates aimed at achieving the maximum material and spiritual satisfaction for all communities. Ours is a unique society, a mosaic of considerable tolerance and harmony.

DATUK ISMAIL AMBIA,  
Ambassador of Malaysia,  
Paris.

## 'Savaging' Senator Kennedy

In spending most of his opinion column, "And in the Opposite Corner," a Senator Out of His Depth" (*Sept. 22*), savaging Senator Edward Kennedy's intelligence and performance during the Robert Bork confirmation hearings,

William Safire forgets two salient facts: (1) Mr. Kennedy has not been nominated to the Supreme Court, and (2) he was elected to his post by a majority of the voters of Massachusetts, which is more than can be said for Mr. Safire.

SAMUEL C. RICKLESS,  
Oxford, England.

What a pitiful display of character marauding is Mr. Safire's column on Senator Kennedy. We hadn't witnessed such a tirade since the radical right foamed at the mouth during the senator's 1980 presidential campaign. What is glaringly absent from the column is some intelligible appraisal of the fitness of Judge Robert Bork, which is all that really matters. Please inform Mr. Safire that Senator Kennedy has not yet announced his candidacy for president in 1988, and isn't likely to.

JOSEPH MAKHOLM,  
Paris.

Nothing disgusts me more than to see Senator Kennedy preaching about morals. His statement that there "should be no seat on the Supreme Court for Robert Bork" is replete with gross irony.

I would guess that Mr. Kennedy dislikes Mr. Bork because he knows Bork-as-judge would have locked him behind

bars for 20 years after the incident at Chappaquiddick. This adds to the irony that Mr. Kennedy thinks he can speak for society's downtrodden people.

For the record, I am not a "Kennedy hater." Robert Kennedy was my political idol for many years.

DAVID LIGHTLE,  
Taipei.

## Official Au Pair Programs

I am disturbed to find that your classified section frequently carries advertisements for au pair positions in America. Except in a very few cases, entry into the United States for this purpose is illegal. The families providing these positions in the United States are not only depriving American citizens and legal residents of paid employment, they are taking advantage of young girls whose "English improvement" often consists solely of conversing with 5-year-olds. What they receive is not sufficient recompense for their services, and they often do not have the freedom to enjoy the benefits of a real exchange experience.

Two official U.S. government-sanctioned programs, "Au Pair in America" and "Au Pair Homestay U.S.A.," offer American host families and European

au pairs a type of cultural enrichment satisfying to both parties without taking advantage of either. These programs screen both parties and ensure that the U.S. labor market will not be overly hurt. Details are available through the U.S. Information Service.

CAMILLE PISK, Vice Consul,  
American Consulate General,  
Munich.

## The Correct Interpretation

In the photo caption accompanying a story Sept. 2 about U.S. Senator Bob Dole and President Daniel Ortega Saavedra of Nicaragua, you incorrectly refer to Mr. Ortega's "translator." The lady is his interpreter. Interpreters always work orally. They do for meetings what translators do for books and documents.

RICHARD R. GESTELAND,  
Frankfurt.

## A 'Speech' Unspoken

In "A Fine Line for Orators Who Use Others' Ideas" (*Sept. 22*), Clifford D. May writes that "Alexander Hamilton may have had a hand in drafting Washington's farewell speech." Contrary to what many people believe, George

Washington's "Farewell Address" of 1796 was never delivered by him as a speech. It was published in a newspaper.

BERNARD SINSHMEIER,  
Boulogne-Billancourt, France.

## Sowing Distrust and Hatred

Many of my relatives perished in the Holocaust, and this makes me especially sensitive to anti-Semitism, racism and other hateful ideologies. That is why I found Bill Keller's report "Girl in the Photo: Hero or 'Unknown'" (*Sept. 16*) so painful. Let the Soviets clarify the true identity of the courageous young partisan in the photo.

LOTTE COHEN,  
Zurich.

## They'd Pan That, Too

In "Literary Brat Pack: Young, Brash, Rich" (*Sept. 19*), editorial director at *The Atlantic Monthly* Press asserts that if novelist Jay McInerney had "written the St. James Bible," people would have panned it. But suppose Mr. McInerney had written the King James version of the Bible?

REGAN CHARLES,  
Levallois-Perret, France.



# Beauty is just one of the beau ties of a BMW.

Beauty brings its own rewards. This time round, it's called the "Car Design Award." An accolade jealously presented just once a year. And in 1987, that was to the BMW 7 Series design team.

What impressed the jury most were the pure aesthetics of the functional design and the way they so successfully married uncompromising technology with unblemished beauty.

And, in that respect, it's worth remembering something that's more true today than ever before: any car manufacturer who these days regards design as an end in itself, immediately puts himself in a technology straitjacket. Truly great design always possesses one invisible ingredient: function.

That principle was written into the BMW philosophy from the very beginning. So when BMW engineers and designers are developing a new car, they always have concrete objectives in their minds. The way they achieve these frequently tough and conflicting aims is a creative process where only the perfect combination of drag coefficient, comfort and personality has a place. The outward appearance of a BMW, therefore, will never be the result of a compromise, but much more frequently of a completely new design route.

But for BMW functional aesthetics are never confined just to the outside. Even the engines, from the very first development stage, are co-created by the design team. And perhaps that's why so many BMW drivers have this beguiling habit of now and again looking under the bonnet for no apparent good reason.

Except to remind themselves of one of the hidden beauties of their BMW.



The ultimate driving machine



## France's Michel Rocard: A Socialist Dark Horse

Off and Running Before Race Begins, He Awaits Decision From Mitterrand

By James M. Markham

New York Times Service

METZ, France — One of Michel Rocard's favorite words is "audacity," which may be one way of defining being off and running even before the starting gates have opened.

Although the French presidential election will not take place until late April or early May, Mr. Rocard's friendly countenance, with its crossed albin features and bright brown eyes, has blossomed on campaign posters around the country.

He looks, some French commentators have said, more like a "buddy" president than a "father of the nation" president.

Mr. Rocard, 57, the Socialist Party's dark horse, has been galloping around France trying to win support in a curious "race" in which he is the only campaigner.

The predicament confronting Mr. Rocard is that his candidacy has little chance of taking off unless President François Mitterrand, 70, a fellow Socialist, decides not to seek a second seven-year term.

Mr. Mitterrand, never a Rocard fan, is busy playing the lofty roles of statesman and father of the nation while keeping all France guessing whether he will run again.

The president's high scores in the opinion polls and his belated embrace of Mr. Rocard's pragmatic, free-market Socialism have further complicated the challenger's campaign and blurred his profile.

In the course of a conversation during a swing through the economically depressed region of Lorraine, Mr. Rocard said he would utter "no disagreeable words" about Mr. Mitterrand.

Yet, as he summoned audiences to regain hope and overcome an "apathy" that he contended had settled over the country, Mr. Mitterrand loomed, in the French phrase, as "le grand absent."

"France needs to find a future again," Mr. Rocard told 3,000 supporters in a Metz sports hall, sug-

gesting without saying so that he represented the future and Mr. Mitterrand the past. He said his goal was "a more dynamic France, a more just France, a more convivial and happy France."

The nimble Mr. Mitterrand has been in the ambitious Mr. Rocard's path for some time. Their rivalry has been one of the constants of Socialist politics for a decade.

The son of a scientist who developed the French atomic bomb, Mr. Rocard graduated into the nation's elite from the Ecole Nationale d'Administration as an inspector of finances. He was drawn to the left by a stint in colonial Algeria.

At the left's defeat in the 1978 parliamentary elections, he gave a galvanizing and uplifting speech insisting that victory was ultimately possible; overnight, he came to be portrayed as the party's conscience.

At a party congress in Metz the next year, he urged the Socialists to accept the central role of market forces in their ideology.

Buoyed by opinion polls showing him to be the most popular politician in the country, Mr. Rocard boldly proposed in 1980 to run for the presidency the next year if Mr. Mitterrand did not. It was a bit of impudence that Mr. Mitterrand, after winning the election himself, never forgave.

Although Mr. Rocard considered himself deserving of the job of prime minister, Mr. Mitterrand made him merely minister of state for planning, then minister of agriculture, in 1983.

Two years later Mr. Rocard resigned after the president passed him over again to choose a younger, Rocard-style pragmatist, Laurent Fabius, as prime minister.

While admiring his brilliance, some of his Socialist comrades wonder whether the bouncey Mr. Rocard has the imposing solemnity that the French have come to expect from their heads of state. In a word, is he "presidential"?



Michel Rocard, implying that he represents the future and Mitterrand the past, tells supporters that 'France needs to find a future again.'

At a luncheon with notables and Socialist activists in the crossroads town of Raon-Étape, Mr. Rocard, jacketless in the heat, fielding questions about local administration, had one foot propped on a chair and an elbow resting on his knee.

The casual pose caught the sense of an academician on the campaign trail, one of his most attractive, and perhaps least presidential, traits.

In going after Prime Minister Jacques Chirac's conservatives, Mr. Rocard is developing a campaign theme. It is that since the right won the legislative elections in March 1986, France has become a harsh and heartless place.

"And I say when a man goes out without the 50 francs necessary to buy two friends a beer, when parents walk with their children hesitating to buy them the cake that would please the kids, it is the quality of life that is deteriorating," he says in one of his most applauded passages. "People turn inward, and the impoverishment of the heart is not far off."

## Hungarian Conservative Adapts Easily to 'Glasnost'

By Jackson Diehl

Washington Post Service

BUDAPEST — Karoly Grosz started his work as Hungary's prime minister in June with a bluntly worded promise to shake up the economy. Then he skipped his summer vacation to hold marathon meetings with experts, pledged loyalty to Moscow with an official visit and returned to flatter Hungarian dissidents in a wide-open press conference.

If this high-profile, high-energy approach evokes the style of the Soviet leader, Mikhail S. Gorbachev, the resemblance is surely intentional. Mr. Grosz, 57, seems determined to succeed the veteran Communist Party leader, Janos Kadar, 75, and inaugurate Mr. Gorbachev's generation of leadership in Eastern Europe.

"He has had a very dynamic start," said Ivan Berend, the president of the Hungarian Academy of Sciences. "Grosz has made it clear that he wants to act, he wants to achieve results. And also that he's a very ambitious man."

The prime minister's drive may be crucial for Hungary, which is suffering from an economic downturn and increasing public frustration with Mr. Kadar's leadership.

Mr. Grosz said that his key task was to restore confidence in the government even as he introduced economic austerity measures and new reforms of socialism.

Mr. Grosz's political profile is interesting for what it suggests about the future of Communist leadership in the East bloc under Mr. Gorbachev. All but one of Moscow's six Eastern European allies — the exception is Poland — are led by aged Communists generally resistant to Mr. Gorbachev's ideas and style but also presumably near the end of their careers.

Hungary, in Mr. Grosz and his chief rival, the party propaganda chief, Janos Berecz, is providing clues about what the successors may be like. Although Mr. Gorbachev has nominally renounced heavy-handed Kremlin interference in Eastern European politics, Budapest's contenders are emerging as firm Soviet loyalists who have quickly adopted the new Moscow leader's rhetoric and style.



Karoly Grosz, the prime minister of Hungary.

Mr. Grosz, ironically, had a reputation as an ideological hard-liner before shifting toward the ideas and technique of Mr. Gorbachev's policy of *glasnost*, or openness.

"He's changing his image at such an abrupt rate that it's amazing," said Miklos Haraszti, a prominent Hungarian dissident writer. "He makes no promises about political reform, but he talks constantly about change in style. By that he means a change from Kadar's style to his version of Gorbachev."

Some aspects of the political process already seem to have changed. While secrecy has dominated choices of past party leaders in Eastern Europe and candidates have been difficult to identify beforehand, Budapest's new contenders are more or less openly competing for public and party favor.

Both Mr. Grosz and Mr. Berecz have assumed a high profile in the past year with interviews, speeches and television appearances.

Yet if Mr. Kadar's 31-year reign is nearing an end, Mr. Grosz still has a hard road to the top. He will

have to show that he can lead Hungary out of its economic crisis and make its reformed version of socialism work without undermining the party's power.

To achieve that, Mr. Grosz will have to be relentless in administering a temporary decline in living standards. "It's not likely that this government will go down in history as one of the most triumphant ones," he said at a press conference. "More likely it will cause lack of sympathy and tensions."

Some Hungarian observers believe that Mr. Grosz may have been picked by Mr. Kadar as an ideal candidate for administering the bitter medicine. Throughout his career, they say, Mr. Grosz has proven tough and savvy in carrying out his tasks, adeptly shifting with political winds but determined to show practical results.

Born in industrial Miskolc, Hungary's second-largest city, and trained as a printer, Mr. Grosz first achieved prominence as party secretary for Hungarian radio and television in the 1960s. He moved to the party's propaganda apparatus in the 1970s. As head of the Agitprop department in the mid-1970s, he was known as a dogmatist, siding with those who stalled and pushed back Hungary's early economic reform program of 1968.

In 1979, as reformists began to regain the upper hand, Mr. Grosz was sent back to Miskolc. In 1984,

however, he was named head of Budapest's party organization and in 1985 a member of the ruling politburo.

Mr. Grosz has moved aggressively to bolster his image among influential intellectuals while seeking to perpetuate his reputation as a moderate populist sympathetic to the concerns of workers. In a meeting with one group of intellectuals, he was critical of his own role in the 1970s and stressed that he now fully supported reforms, a participant said.

Since June, Mr. Grosz has worked so hard to project an image of openness that irreverent Hungarian observers dubbed the campaign "Grosznost."

Some suspect, however, that Mr. Grosz's openness does not go further than such public displays. Both in public and in private, he has been cool or even hostile to proposals for major political reforms. He has also made it clear that he will not take steps that risk Moscow's ire.

## Poet Abba Kovner, 69, Dies of Cancer in Israel

New York Times Service

NEW YORK — Abba Kovner, 69, a leading Israeli poet and founder of the Brichah movement, which involved the transit of almost 300,000 Jews from Eastern and Central Europe to Palestine after World War II, has died of cancer at his home at the Ein Hahoreh kibbutz in Israel.

Mr. Kovner was born into an Orthodox family on March 14, 1918, in Vilnius, then known as Vilna, now the capital of the Lithuanian Soviet Socialist Republic.

During World War II he organized underground Jewish resistance in the ghetto of Vilnius. After being forced to flee when the Nazis destroyed the ghetto in 1943, he joined other Lithuanian partisans.

In July 1944, after leading Jewish resistance in their successful fight against the occupying German Army, Mr. Kovner returned to the ruins of Vilnius, where more than 40,000 Jews had been killed.

After the war he founded the Brichah movement, which organized Jewish emigration to Palestine, and fought in Israel's war of independence in 1948.

In 1946 he moved to Ein Hahoreh, near Tel Aviv, where he built a reputation as one of Israel's foremost poets, evoking the experience of Eastern European Jews during the Holocaust.

One book, "Little Sister of Mine," depicts the tragedy of execution and separation of Jewish children during the war.

In his most recent works, Mr. Kovner wrote of his declining health. A book called "Sloan Kettering" dealt with a stay last year at the Memorial Sloan Kettering Cancer Center in New York, where his larynx was removed.

Norman Luboff, 70, Singer, Composer, Choir Director

BYNUM, North Carolina (UPI) — Norman Luboff, 70, the singer, composer and choral director who led the Norman Luboff Choir and arranged music for Frank Sinatra and Bing Crosby in Hollywood, died at his home here Tuesday of lung cancer.

He was born in Chicago in 1917 and studied at the University of Chicago, Central College and the American Conservatory. He also studied with the composer Leo Sowerby. He began his career singing and arranging music for radio.

General Gorbachev de Conto e Silva, 76, a Brazilian military strategist and an influential political figure for more than three decades, Friday of lung cancer in São Paulo.

Obba Babatundé (O.B.) McClintock, 45, a singer-songwriter who was one of the few black stars in country music, Wednesday of abdominal cancer in Nashville, Tennessee.



# 1887 and all that...

## The Trib's Centennial Quiz

Hundreds of valuable prizes await participants in the IHT's centennial quiz, focusing on the year of the paper's founding.

1887 is a special year for the International Herald Tribune, for it was on October 4th of that year that James Gordon Bennett, Jr. made journalistic history by launching our newspaper in Paris. But lots of other significant things happened that year as well — more than you may realize!

Because our Centennial is an occasion in which we want to welcome our readers' participation, we have created the following Centennial Quiz, built around events and personalities of historic significance who, in some special way, are linked to the year 1887.

Every person who answers 15 or more of these questions correctly will receive an IHT souvenir in thanks for his or her participation. Those who answer the most questions correctly will be recognized in our pages — and will receive a larger prize. Prizes will include gift books, travel-related luxury goods, and free subscriptions (or prolongations of subscriptions) to the IHT. To spread the prizes geographically, the ten highest scores from each country will qualify as winners with any ties resolved in favor of the earlier entries.

Everyone can enter the contest except International Herald Tribune employees and their families. So fill in the quiz coupon and send it right away. Contest closing date will be October 4, 1987 our actual anniversary date. Correct answers will be printed in the newspaper, along with the names of all the winners.

### Our Questions:

1. Begun in 1887, it became two years later the tallest structure the world had ever seen, and remained so for 41 years. What was it, which building did it succeed as the world's tallest, and which finally surpassed it in 1930?
2. Which famous literary figure made his first appearance in 1887, and who were the two doctors whom he also helped to immortalize?
3. On May 8, 1887, a young man was shocked when his brother Alexander was hanged for taking part in a murder conspiracy. As a result, the history of mankind in the twentieth century was dramatically changed. What was his name?
4. He was born in 1887, became a revolutionary in 1911, and President of his country in 1928. Though he was regarded as a world leader, he spent the last 26 years of his life on a small island. Who was he?
5. Which famous symbol of internationalism was launched in 1887 by Ludwik Zamenhof?
6. Which Man for All Seasons became a saint in 1887?
7. Born in 1887 as William Henry Pratt, the son of a member of the Indian Salt Revenue Service, he spent much of his life in America where he became world famous under another name, and eventually retired to Sussex, England, to watch cricket before his death in 1969. How is he better known?
8. Which chemistry professor at a military academy of medicine died at a party in 1887, leaving an unfinished opera?
9. Which British citizen, born in 1887 the son of an Irish bishop, commanded the U.S. First Army (among other units) on D-Day?
10. In 1887, this man won public acclaim in Vienna for something which had nothing to do with politics, even though he later became Prime Minister of a European country. He had a farm in California and died in New York in 1941. Who was he?
11. On July 8, 1887, a world-famous novelist attended a concert given by his children and wept at Beethoven's music. This later inspired him to write one of his best-known stories. Who is the novelist and what was the story's name?
12. In 1887, a composer produced his tragic masterpiece. Sixteen years earlier he had been commissioned to compose a similar musical work to celebrate a feat of engineering. It was given its premiere in Africa. What were the two works?
13. Born in 1887, he became famous as a scientist and international civil servant, but he was often overshadowed by his brother who died on the same day as President Kennedy. Who was he?
14. In 1886 an unknown young painter arrived in Paris to see the last exhibition of the impressionists of which he wrote, "when one sees them for the first time one is very much disappointed and thinks they are ugly, sloppily and badly painted, badly drawn and of a poor color, everything that is miserable."

But in 1887, under their influence, he completely changed his own approach to painting and discovered the new style which after his death three years later was to make him world famous. Who was he?

15. What was first set up by a group of French and British naval officers in 1887, and later became known as Xanadu?
16. It originally came from England in 1851 and almost immediately went to America. In 1887 it was moved to the place where it remained until 1983 — when to everyone's surprise, it suddenly went off half way round the world. What is it?
17. A scandal over an illegitimate child had not stood in the way of his success two years earlier — but his marriage to a 22-year old girl in 1886 did prevent his repeating his success two years later. Four years after that, he had a third chance. Who and what was he in 1887?
18. Which colonial country was formed in 1887, allied to Germany in 1940, liberated by the British in 1945 and divided, and only again came under the same rule in the late 1970s?
19. Born in Switzerland in 1887, he became world-famous under a pseudonym which means "crow-like" and spent much of his life drawing up plans for the rebuilding of Paris. Rio de Janeiro and other major cities, none of which were ever carried out. He did, however, design one of the best known buildings in New York. Who was he?
20. 1887 was the year a novel Swiss invention was first manufactured in Germany. Esthetic and practical for men and women, the invention's application is external though rarely visible. It took many years to become popular. Can you name the invention?
21. In 1887 a legendary American had his show on the road in England and Europe delighting audiences with a kind of U.S. life that would later be popularized in Hollywood. Who was he?
22. 1887 marked the birth of a celebrated English writer of poetry and prose whose very close family relation with two other writers produced a fashionable movement of literary thought and style. Who was this titled writer?
23. He was born in 1887 in Pennsylvania but later became governor of another state. As the Republican candidate for President of the United States, he ran unsuccessfully against one of America's better known presidents. Who was he?
24. In 1887 he was working in the New York Customs House and writing a book of poems called John Marr and Other Sailors — although the work that has made him world famous had already been published 35 years earlier. Who was he?
25. In 1874, the eccentric owner of a major New York newspaper moved permanently to Paris. Tradition says that, 18 years later, the sound of a bird in the night convinced him to found a newspaper in Paris. Today, 100 years later, that paper is still publishing. Who was its founder, what was the new paper's full original name, and what was the bird whose nocturnal song was instrumental in its founding?

### Your Answers

Please write or print your answers very clearly. Then add your name and address and cut out the response coupon along the dotted lines.

Mail to "Centennial Quiz", International Herald Tribune, 181 avenue Charles-de-Gaulle, 92200 Neuilly, France.

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Mail your answers immediately. The Centennial quiz closing date is October 4, 1987.

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## Politics in South Korea Shifts Again as 3d Kim Reappears on the Scene

By Fred Hiatt

Washington Post Service

SEOUL — Kim Jong Pil, one of the most powerful men in Korea until he was forced to retire in disgrace seven years ago, announced Monday that he will attempt a political comeback, adding new drama to South Korea's first genuine presidential election in 16 years.

Kim Jong Pil, stopped short of formally announcing his candidacy. But, before 3,000 cheering supporters lifting balloons decorated with his bespectacled likeness, the former prime minister announced formation of a new political party and made his intentions clear.

"I am going to bare my soul to the people," Mr. Kim Jong Pil, 61, said at his home after the rally. "I only want to receive a fair hearing, an honest judgment, from the people."

Mr. Kim Jong Pil's candidacy is viewed as a decided longshot, but as a dominant figure in Korean politics for much of the past three decades he cannot be discounted. Even if he cannot win, Kim Jong Pil could play an unpredictable role in what may be a four-way race, perhaps taking enough votes from

the ruling party candidate, Roh

Tae Woo, to deny him victory.

Since he was humiliated by Mr. Roh and the other relatively junior officers who took power in a 1980 coup, Kim Jong Pil has been the "third Kim" of Korean politics — far less a presence than opposition leaders Kim Dae Jung and Kim Young Sam. But as a lieutenant colonel in 1961, Kim Jong Pil helped engineer an earlier coup that brought Park Chung Hee to power — and then served as Mr. Park's second-in-command for nearly two decades.

The two other Kims have been jockeying for leadership of the opposition movement since widespread demonstrations in June forced the government to agree to direct presidential elections, now set for December. They are scheduled to meet again Tuesday, having promised to unite behind a single candidate by this week.

Either of the opposition Kims would be aided by the candidacy of Kim Jong Pil, which would appeal to many of the same conservative voters that Mr. Roh hopes to attract, according to many politicians here. But the election, the first after years of military rule, might feature

all three Kims and Mr. Roh as

candidates, a scenario too complex

for all but the most foolhardy oddsmakers.

Kim Jong Pil, who is married to Mr. Park's niece, created and became the first director of the Korean Central Intelligence Agency, which eventually became Mr. Park's chief weapon of control.

Kim Jong Pil also created the Demo-

cratic Republican Party, which

gave some political legitimacy to Mr. Park's increasingly authoritarian rule during the 1970s.

When Mr. Park was assassinated by a later KCIA chief in 1979, Kim Jong Pil emerged as a likely successor. But Major General Chun Doo Hwan and his allies in the officer

corps, including then-general Roh,

took power in a coup and de-

nounced Kim Jong Pil for alleged corruption.

Kim Jong Pil was forced to hand over \$36 million, which he said came from legitimate party funds but which the Chun regime called ill-gotten wealth. He was banned from politics until 1985.

Kim Jong Pil announced his political comeback before a rally of 3,000 supporters Monday.

all three Kims and Mr. Roh as

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## Iran Executes 'Corrupt' Associate Of Khomeini's Chosen Successor

By John Kifner

New York Times Service

MANAMA, Bahrain — A Shiite Moslem who was an associate of Ayatollah Ruhollah Khomeini's designated successor was executed by a firing squad in Tehran on Monday.

Mehdi Hashemi, who was shot at dawn, had been caught up in political infighting linked to the revelation of the secret American arms deals to Iran.

The official Tehran Radio reported that he had been convicted in a three-day trial in August of being "corrupt on the earth," the most serious possible charge in Iran's Islamic theocracy, with specific counts of murder, kidnapping, plotting to overthrow the regime and smuggling arms.

But until his downfall and arrest in October, Mr. Hashemi had directed the personal office of Ayatollah Hussein Ali Montazeri, Ayatollah Khomeini's personal choice as his successor in the unique post of supreme religious guide.

In the Shiite theocracy of Iran, where religion and politics are one, the leadership position is a kind of stand-in for the twelfth, or hidden, imam, who disappeared in the ninth century and is someday to return as a redeemer.

Mr. Hashemi's arrest, conviction and execution appeared to cast doubt on Ayatollah Montazeri's political future and to strengthen the position of his apparent rival, the powerful speaker of the Majlis, Hashemi Rafsanjani.

It was Mr. Rafsanjani who met with American negotiators, including Lieutenant Colonel Oliver L. North, bearing a cake shaped like a key and other offerings, in an effort to swap arms for the American hostages held in Lebanon.

Mr. Hashemi's faction revealed the meeting to the Lebanese weekly Ash-Shira, leading to the disclosures that have burgeoned into the Iran-contra affair, which has occupied Washington for nearly a year.

His execution appeared to indicate Ayatollah Khomeini's support for — and thus the political triumph of — Mr. Rafsanjani.

Mr. Hashemi's most important duties had been running the World Islamic Movement, a kind of Shiite International, whose goal was to export Iran's Islamic fundamentalist revolution.

The committee, under the chairmanship of Ayatollah Montazeri, supported Shiite radicals, principally the Hezbollah, or Party of God, in Lebanon.

The Iranian directorate and its Lebanese and other affiliates are believed by Western intelligence authorities to be linked to such acts

of terrorism as the suicide truck bombings of the American marine barracks and two U.S. Embassy buildings in Beirut and the kidnapping of Americans in Lebanon.

Mr. Hashemi's brother, Hadi, is a son-in-law of Ayatollah Montazeri, in a Middle Eastern society where family relations are the most important political connections.

Mr. Hashemi was also a close associate of Ayatollah Montazeri's son, whose gun-toting ways earned him the nickname of "Ayatollah Ringer" after a popular cowboy film.

The son, whose followers once staged an armed camp-out at the Tehran airport demanding to be flown to Lebanon, was blown up in

a bombing by opponents of the

dominant clerical party.

The political rivalries in Iran are now being fought out on complex personal levels, under an overall banner of Shiite Islamic fundamentalism, making such Western conceptions as "radicals" and "moderates" inapplicable.

Thus, while the execution of Mr. Hashemi appeared to strengthen the position of Mr. Rafsanjani, it was difficult to see what practical effect it might have on Iran's policy.

The parliamentary speaker has been the main spokesman for Iran's uncompromising war with Iraq and has thus appeared himself committed to the export of Iran's fundamentalist Islamic revolution.

## U.S. Imports of Iran Oil Rise With Gulf Tensions

By Peter Behr

Washington Post Service

WASHINGTON — Iran has become the second-largest foreign supplier of crude oil to the United States, the result of a surge of exports this summer that has pumped more than \$700 million into Tehran's economy, according to a new analysis of U.S. oil imports.

The sudden growth of this economic link between Iran and the United States, which coincides with an escalating military and diplomatic confrontation, is documented in U.S. Commerce Department figures cited by John Roberts, a senior adviser at the Middle East Institute in Washington.

"In July the United States imported 19.6 million barrels of Iranian crude oil at a cost of \$359 million," he said. "Only Nigeria supplied more."

The Iranian shipments amounted to more than 11 percent of U.S. oil imports, while payments from U.S. oil companies provided Iran with about one-third of its total oil revenues, Mr. Roberts said.

"Neither side yet seems to appreciate the magnitude of this interdependence because of the secret ways in which Middle Eastern crude is traded," he said.

Iran's desperate need for revenue to finance its war with Iraq is at the core of its sharp increase in exports, Mr. Roberts said.

Although members of the Organization of Petroleum Exporting Companies had agreed to limit oil production by following nation-by-nation quotas, Iran and several

other Gulf nations broke the agreement and increased their output this summer, said Philip K. Verleger, a visiting fellow at the Institute for International Economics in Washington.

At the same time, oil buyers around the world went on a buying spree, said Mr. Verleger and Mr. Roberts, prompted by growing fears of warfare in the Gulf.

As tensions with Iran have risen, the Reagan administration has considered an embargo against Iranian goods, particularly oil.

But a U.S. embargo on Iranian oil would be little more than symbolic, according to industry experts.

"There would be no effect on the oil market, because the Iranian oil would find a home somewhere else," said Mr. Verleger.

However, an embargo would probably force Iran to cut its oil prices to other buyers, perhaps precipitating another round of price-cutting by OPEC members, he said.

Mr. Verleger said Iran might lose its position as a prime U.S. supplier even if there was no embargo.

There are indications that the rush by oil importers to fill inventories is tapering off now, he said.

Italian Leader Visits Bonn

Reuters

BONN — Prime Minister Giovanni Goria of Italy arrived in West Germany on Monday for talks with Chancellor Helmut Kohl that are expected to focus on the Gulf conflict and East-West relations.

### Living Abroad

## Lack of AIDS Blood Screening in Some Nations Raises Concern

By Sherry Buchanan

International Herald Tribune

People going to countries that lack adequate blood screening for the AIDS virus are looking for ways to protect themselves should they require an emergency blood transfusion.

The World Health Organization's efforts to assist countries in storing blood and screening it for the virus that causes acquired immune deficiency syndrome should soon decrease the risk of catching the virus via a blood transfusion in some African countries.

"Within six months, you will be able to get testing done in most African countries in at least one center in the country," said John Wickett, administrative officer of the National Programs Support of WHO's Special Program on AIDS.

"There are many things one can do to avoid exposure to AIDS if sent on assignment abroad, basically by doing the same things one can do in one's own country," said Dr. William Heyward, chief of international activities for AIDS programs

at the Centers for Disease Control

in Atlanta, Georgia.

"The one factor most difficult to deal with is the possibility of being in an accident and needing a blood transfusion," he said. "In many countries, there is no ability to screen the blood prior to transfusion."

In African and Central American countries where there are no storage facilities for blood, blood is transferred without being tested, from the donor to a bag and then to the patient.

In April, WHO began helping countries to establish blood storage and testing facilities and to train medical experts.

WHO has requests from 91 countries, including 40 in Africa, for assistance in setting up screening programs. The organization also has completed 58 initial visits and prepared 50 short-term plans for blood screening. These include ordering the screening equipment and training medical personnel.

But the problem remains acute and will continue to remain acute,

depending on the country, region

and town in which an emergency

occurs.

"People are asking us to take

blood from them so they can take it with them to Africa," said Dr.

The World Health Organization has

begun helping countries establish

blood storage and

testing facilities.

Ludo Muille of the Blood Transfu-

sion Center in Antwerp, Belgium.

"We have to explain to them that they will never get through customs," he said, "and even if they do, they have to store their blood at 4 degrees centigrade. But if it's in their refrigerator 100 kilometers from where the emergency might

occur, it's not much use to them

anyway."

Instead of allowing people to travel with their own blood, transfusion centers in Europe and the United States are selling plasma substitutes, derived from human blood and usually available by prescription. The chemical composition of substitutes differ, and the products can be stored at room temperature for two to five years, depending on the product. Blood, however, has a shelf life of 21 days and must be kept at low temperatures.

Some medical experts argue, however, that it is not practical for everyone to carry plasma around.

Dr. Paul Clarke, medical director of Medical Advisory Services for Travellers Abroad Ltd. at the London School of Hygiene and Tropical Medicine, said: "Plasma substitutes weigh several kilograms. A businessman is not going to go around carrying a shoulder bag with two kilos of fluid in it."

Some embassies and multina-

tional corporations have taken pre-

ventive measures, which embassies

usually make available only to their

national and multinational staff members.

Although not an official government policy, some British, French, West German and U.S. embassies in African and Central American countries list expatriates living in the country who are willing to donate blood to their compatriots.

"These are not necessarily tested people, either, but the risk is much lower," said Dr. Clarke. "That's why we recommend that the person or their colleague get in touch with their consulate in the hope that they would have a list of expatriates willing to donate blood."

Medical experts also are advising people to carry a syringe kit to countries where needles may not be sterilized or may not be available. Multinationals such as ICI, the British textile group, and BAT Industries, the British tobacco group, have started distributing such kits to their personnel going to Africa.

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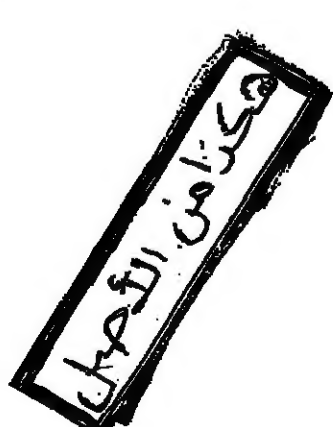
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## China Prepares to Rejuvenate Leadership

By Edward A. Gargan  
New York Times Service

BEIJING—The clots of shaggy-haired young men from Xinjiang, who once loitered outside large hotels here changing money, hawking cashmere scarves and brandishing scrolls with painted pandas, are gone.

Petty gamblers running wagers down cramped alleyways, the city's hooligans, even dog owners are under hot pursuit by squads of green-uniformed and plainclothes police.

As thousands of the country's Communist leaders prepare to meet next month to chart the country's future, the capital's authorities are scrubbing away at the city's real and imagined detritus.

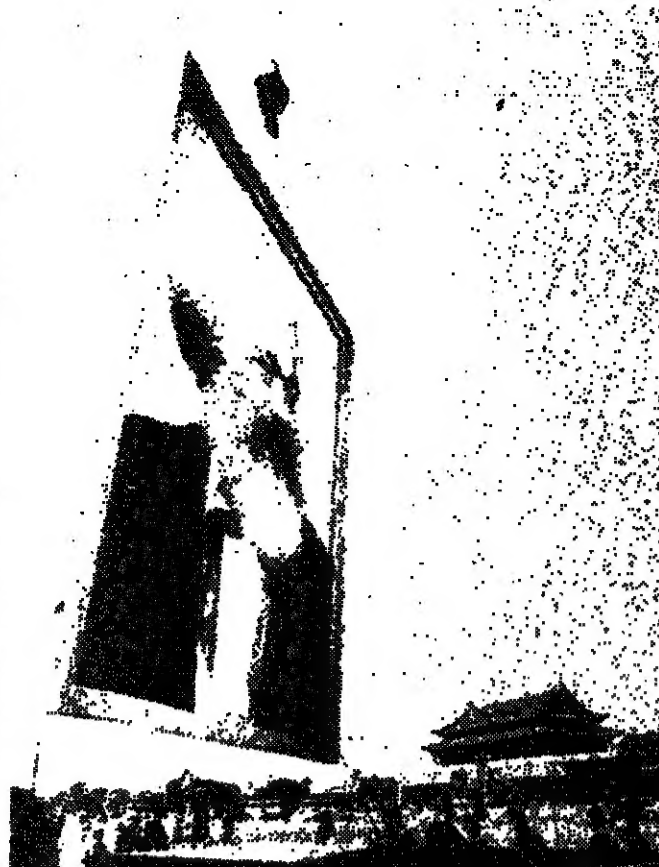
The 13th Communist Party congress, scheduled for Oct. 23, will bring together 5,000 representatives of the 44 million members of China's Communist Party. They will ratify decisions already largely made by a handful of senior leaders, led by Deng Xiaoping, about the country's economy and polity.

Always a city that has strictly controlled who lives here, Beijing police are conducting sweeping identity checks to find people without proper permits. Near the city's 17th-century astronomical observatory, a raucous labor market for maids and housekeepers — also used by procurers to recruit prostitutes — was raided and closed recently. The police ordered the young job seekers out of town.

Dogs, which may be legally owned only by senior officials and foreigners, have been rounded up and their owners lectured on the virtues of social discipline.

But beyond the abrupt and highly visible pruning of the city's social wildflowers, Beijing's residents, and indeed China's 1 billion people, have been told almost nothing about next month's congress — a meeting expected to name the next generation of leaders and outline the economic and political policies they will pursue.

"I don't know what will happen," said a middle-aged man who said he was a government office worker who did not belong to the party. "How can we know what will happen? There is nothing in the newspapers. Anyway, what difference does it make to us?"



Karl Marx's portrait was raised Sunday at Beijing's Tiananmen Square in preparation for the Oct. 1 National Day.

Although Chinese officials have hinted at some personnel changes in meetings with foreigners, China's newspapers have been silent about the congress. There have been no articles about wrangling among the country's leaders over the allocation of key positions; no leaks about horse trading between the hard-line Marxists and the more innovation-minded camps; no speculation about the policies that will dictate the country's course in the coming years.

Hong Kong, a city but a decade away from falling under this country's rule and one that twitches at every political development in China, is awash in rumors about Beijing's future leadership.

One day, the Hong Kong newspapers lament that hard-line leftists have emerged victorious in a power struggle with younger reform-minded leaders. A day later, brows are mopped in inch-high headlines declaring that the "reformers" have triumphed after all.

In Beijing, the relative indifference of most residents to this political drama, which occurs every five years, is at odds with the energetic discussions among diplomats over the probable composition of China's new leadership.

ister to succeed Zhao Ziyang. Mr. Zhao is expected to be appointed general secretary of the party despite a publicly expressed reluctance to assume the position permanently.

The choice of Mr. Li, this diplomat suggested, represented something less than a decisive resurgence of the party faction that seeks change. Instead, he said, Mr. Li can be seen as a man generally committed to continuing the changes in China's economy but in a fashion more conciliatory to the concerns of the old-style Marxists who stress the importance of centralized economic planning.

Other Western diplomats insist that China's most senior leaders — men mostly in their late 60s, 70s and 80s — have decided to keep pushing forward with a program of economic initiatives. These programs would move toward something more recognizably capitalist.

To this end, these leaders have agreed, according to the diplomats, that a new and younger set of faces will appear in the highest reaches of the Communist Party and government.

On one matter all diplomats seem to agree — the retirement of Mr. Deng from most of his main posts, including his membership on the party's policy-making politburo. Mr. Deng has repeatedly mentioned to foreign visitors that he intends to resign.

Still, it is widely assumed by diplomats that Mr. Deng will remain as chairman of the Central Military Commission. In that post he would still control the army and continue his dominant influence over party and government affairs.

Despite the potentially sweeping significance of a shift to a new generation of leaders, many Chinese are inured to politics. Recent conversations on the street virtually never touched on political questions, except to evince skepticism about the government and the party.

For example, a young artist resorted to a common and cynical aphorism. Referring to the Chinese practice of taking medicine in tea or soup, he said: "The soup can be changed, but the medicine remains the same."

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# Nordic Finance

## Fiscal Austerity

### Economies Lose Competitive Edge As Currencies Gain

By Ken Ferris

**L**ONDON — The Scandinavian economies have suffered from a loss of competitiveness in recent years due to a combination of accelerating wage costs and the sharp appreciation of their currencies against the U.S. dollar. Those developments have led to a period of fiscal austerity as the governments of Denmark, Finland, Norway and Sweden attempt to bring their external accounts back into balance.

The extent of the dollar's decline from the peak average level it reached in the first quarter of 1985 is reflected in the appreciation of the Finnish markka (36 percent), Norwegian krone (26 percent) and Swedish krona (32 percent) against the U.S. currency. With the region's most important commodity exports, such as forest-related products and oil, priced in dollars, the U.S. currency's slide has hit the domestic value of overseas commodity sales and heightened the need for structural economic adjustments.

However, the use of trade-weighted baskets to determine the external value of these currencies has mitigated the overall impact of dollar depreciation. This is because the dollar's weight in the baskets (9 percent, 11 percent and 23 percent respectively) has led to depreciation versus other currencies, such as the Deutsche mark and Japanese yen, thereby helping to stimulate manufactured exports.

In Denmark, the loss of competitiveness there is more marked because of its membership in the European Monetary System's (EMS) Exchange Rate Mechanism (ERM). This ties the krone to within 2.25

percent either side of a 3.81 Danish krone per Deutsche mark central rate and has taken the currency up 37 percent against the dollar from its average value in the first quarter of 1985.

Since October 1982, the Nordic currencies have held onto their basket pegs, with the exception of a 2 percent mini-devaluation of the Finnish markka in May 1985 and a 12 percent downward adjustment of the Norwegian krone in May last year. This period of relative stability follows a hectic time in the currency markets in 1981 and 1982 when the Finnish, Norwegian and Swedish currencies were subjected to large-scale competitive devaluations.

While there are similarities in the problems facing the Nordic countries, each has its own specific difficulties. Denmark's membership in the EMS means its economic policy is driven by the need to maintain the krone's value in the ERM.

Although the Danish currency held its EMS parity in the Jan. 12 general realignment, a bout of speculative pressure in August before the Sept. 8 general election has pushed the krone to its current position at the bottom of the EMS.

Following the election, which returned a minority non-Socialist coalition headed by Prime Minister Poul Schlüter, the krone has recovered and is now trading just below its central rate against the Deutsche mark. It has steadied partly because of the government's determination to preserve the EMS parity as a central plank in its anti-inflation drive.

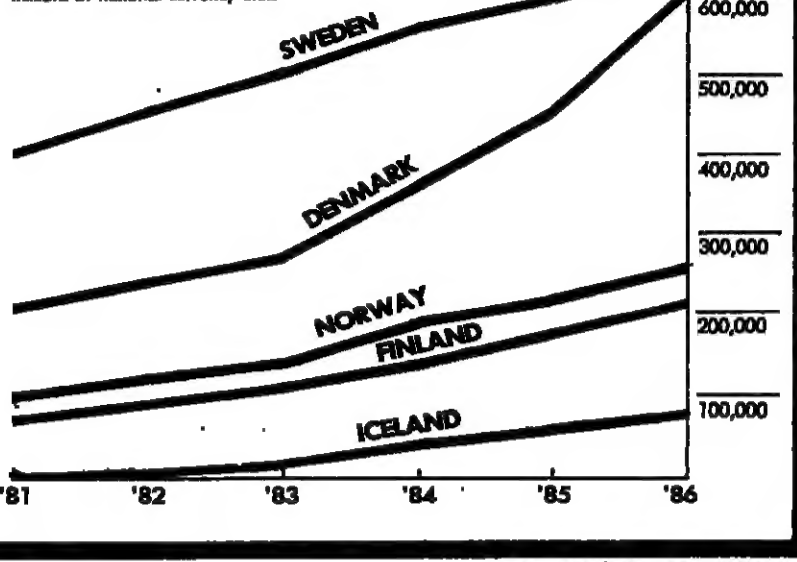
The government has the support of the opposition Social Democrats and the Organization for Economic Cooperation and Development for its strong currency stance. The OECD's latest report on the economy says it is essential for Denmark to maintain the stable exchange rate policy

Continued on page 11



## Bigger Basket of Assets

Growth of commercial bank assets in millions of national currency units



Source: Nordic Council Statistical Yearbook

The dollar's slide has hit the domestic value of overseas commodity sales and increased the need for economic change.

## Regional Banking

### Deregulation Spurs Expansion

By Michael Metcalfe

**C**OPENHAGEN — Nordic banking has come in from the cold. Swept by changes in the financial marketplaces of the countries making up the region, commercial banking during 1987 has undergone a period of rapid reform.

"Far from swimming in a placid financial backwater, the Nordic banks have come into their own, expanding their services into new areas, such as insurance, brokerage and financial innovation, while steadily extending their networks on the international plain," noted one Danish banker.

Deregulation and liberalization has forced the pace of development. In varying degrees of willingness — or reluctance — the monetary authorities of Denmark, Finland, Norway and Sweden have rolled back the curbs of foreign exchange controls and financial regulations that have covered their respective financial scenes for many decades and thwarted attempts by the private banking community to expand their activities.

In line with trends in the world's financial markets, integration, innovation and internationalization have become the key elements in the corporate strategies of Nordic banks, keenly aware that if they are to expand successfully, they must look elsewhere than just their home bases.

But as expansion abroad has been stepped up, so the domestic banking scene has not lagged far behind. Copenhagen, Helsinki, Oslo and Stockholm have all witnessed the creation of a myriad of new financial instruments and markets, in the process of sharpening the competitive climate and squeezing margins.

Of the five Nordic countries, the pace of change has been the most rapid in Sweden, where bulwarks of regulation and restriction have been torn down in the past two

years. Norway has followed Sweden closely, dismantling controls that have been in existence since World War II.

Finland, too, has not been far behind in overhauling its financial system, and Helsinki banks now have a greater degree of financial latitude than ever before.

The only exception has been Denmark, where the relaxation of monetary policy introduced at the end of 1984 came to an abrupt halt in the spring of 1986 and has remained strict ever since. However, Nordic bankers note that Denmark still has the most liberal banking climate in the region with almost all restrictions on capital movements removed.

This policy is expected to remain unchanged under the government of Poul Schlüter, who was returned as prime minister in elections on Sept. 8.

Norway and Sweden have been eager to catch up, freeing their internal capital and money markets from many of the regulatory controls hampering their expansion, development or even creation.

They have also opened their doors to foreign bank subsidiaries since 1985 and 1986, respectively, thereby prodding the domestic banks into competing more freely in the provision of financial services, as well as stiffening competition in areas such as foreign exchange and stockbroking.

Central to the development of the more liberal Nordic banking environment has been the unwinding of the internal capital and money markets of the respective countries, a trend which for the most part has been actively encouraged, if not always freely sanctioned, by their central banks.

Following the abolition of almost all the existing controls on bank lending in November, the Swedish central bank, the Riksbank, has resorted to increasing the use of open-market operations — rather than fixed credit policy guidelines — to steer monetary developments. In doing so, the Riksbank administers market operations in foreign exchange and trades in short-term paper to regulate bank liquidity. In addition, it controls money supply

Continued on page 10

## Stock Exchanges

### Bourses Soar, Except in Denmark

Strong domestic investor demand sends markets spiraling

By Juris Kaza

**S**TOCKHOLM — Nordic stock markets, except for Copenhagen, have been among the strongest in Europe. Share prices in Denmark have risen only about 8 percent this year, while indexes in Oslo and Helsinki are up over 40 percent and over 20 percent in Stockholm.

Propelled by strong domestic investor demand rather than foreign buying, these markets "have gone crazy," said Tim Youngman, an analyst with London's Savory Miln Ltd. "In the short term, Scandinavia is by far the most interesting area in Europe," Mr. Youngman said. Of the three booming Nordic markets, he called Sweden the strongest despite the low rumble in prices compared to its neighbors to the east and west.

"Sweden is looking well underpinned, and there is lots of money that still has to go into the market," he said, referring to high corporate and personal liquidity as well as funds that must be invested during the fall by Sweden's controversial wage-earner funds.

Mr. Youngman added that Volvo's unexpectedly good second-quarter performance had played a role about the impact of the low dollar on Swedish exports. "The general opinion is that Volvo has seen the worst in terms of its dollar exposure," he said.

Finland's rise is also fueled largely by domestic factors, which is reassuring to foreign investors burned by some previous bull stampedes in Helsinki.

"Trading volume more than doubled in 1986 and it has increased significantly in 1987," said Michael Remue, a broker at Oy Bensow AB in Helsinki. "The largest contributing factor is domestic, a lot of excess liquidity comes to the market."

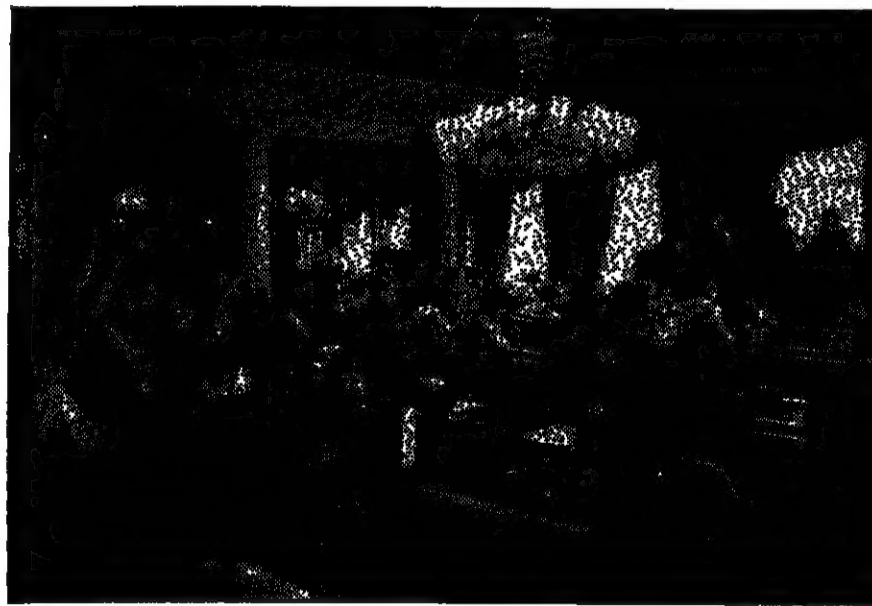
Finland analysts also say there is considerable steam left in the market if one buys on forecast earnings.

"If the present price earnings ratio is around 17 or 18, then based on forecast earnings, it is closer to 13," according to Timo Nikimä, an analyst at Unitas, the securities trading subsidiary of Union Bank of Finland.

"Based on this, and fundamental factors, there should be room for a continued increase in share prices," Mr. Nikimä asserted. Mr. Remue of Bensow said that forestry shares and industrial conglomerates, essentially Nokia, were the most attractive Finnish stocks.

"In forestry, you have Kymmene, Enso-Gutzeit and United Paper Mills," he said. "Nokia is doing very well, and so are our bank shares. It is hard to find a Finnish company that isn't doing well."

In London, Mr. Youngman of Savory Miln is cautious about Finland. "I think you have



John Cooper/Herald

Higher company earnings and oil prices fueled boom on Oslo bourse.

seen the best there. There will be a lot of new issues coming. Lots of companies want to be on this market to raise cash," he said.

In Finland, however, analysts look forward to the start-up of the nation's first mutual funds in October to give impetus to the market. "It will be a positive factor," Mr. Remue predicted.

Mr. Nikimä said the fact that smaller companies have gone public has actually helped fuel the market. "There is plenty of liquidity from corporate acquisitions and the sell-offs of privately held companies," he said.

**O**N THE Oslo exchange, the boom is also fed by domestic factors — improved earnings by key companies and a firm oil price, according to a recent analysis published by Den norske Creditbank (DnCB), the nation's largest bank.

DnCB's analysts also note that for Norwegian shares listed on the Oslo "Main List," foreigners have bought up shares to the limit that can be held by non-Norwegians, so "they cannot very well constitute the decisive buying push." Recently, a proposal was introduced to raise the limits for foreign ownership of Norwegian shares.

In London, Mr. Youngman said that Oslo "has further upside, but the market is more volatile because of political instability and oil prices."

Mr. Youngman's remarks about politics, made before Norway's recent local elections, proved prophetic. A small rightist protest party made advances at the expense of the country's traditional conservative opposition, the Høyre Party. This could signal trouble for the Conservatives in forming a stable, non-Socialist coalition should they win national elections soon.

The recent vote in Denmark also saw both the incumbent Conservative coalition and the challengers shaken up. The Social Democratic

leader, Anker Jørgensen, retired, and Prime Minister Poul Schlüter found himself putting together a weaker government with small, single-issue parties able to tip the scales.

"The weak government means an unstable period for the market," said Christian Strandgaard, a trader at Privatbanken in Copenhagen.

"On top of that, we have had some rather depressing half-year corporate results, as well," he added.

He predicted that Danish shares, if anything, would drift lower in coming months. Still, he said the market would then be rather cheap for a selective investor seeking long-term positions in lesser known shares with high potential.

The Privatbanken trader mentioned Sophus Berendsen, which sells industrial automation equipment, and International Service Systems, a cleaning and building services group, as two potentially interesting buys.

The Nordic markets are also opening up to financial innovation. Sweden allowed foreigners to trade stock and index options starting Aug. 1, and Stockholm analysts expect foreign interest in these products to grow this fall.

In Norway, there is discussion of starting options and index options trading along Swedish lines, while in Finland, investors have had a lively trade in warrants attached to recent corporate bond issues.

"Warrants work like a kind of option," Mr. Nikimä said. "But for the moment, using these for hedging is secondary, the primary motive is to speculate on the underlying value of the shares."

He said Finnish authorities were also discussing starting options trading and predicted that "there will be more imagination used in constructing corporate finance instruments."

**JURIS KAZA**, a journalist based in Stockholm, is a regular contributor to the International Herald Tribune's business pages.

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## Flexibility and Earnings

## Deregulation Spurs Expansion

Continued from page 9

by manipulating the availability of the discounting facilities it provides to banks.

The removal of lending ceilings resulted in a substantial credit expansion by the banks during 1986, with a corresponding reduction in the parallel "gray markets," which had developed during the era of regulation. Swedish banks' total borrowing from Riksbank corresponds roughly to their total equity at about 15 billion Swedish kroner (\$2.35 billion), of which 4 billion kroner is borrowed at discount. Thus, the discount rate continues to play an integral, albeit increasingly diminishing, role in shaping domestic credit policy.

This month, there were 12 commercial banks in Sweden with combined assets in excess of 625 billion kroner. They included two merged regional banks, Nordbanken, and a new bank, Sveabanken

AB, specializing in small and medium-sized business. If the 13 foreign-owned Swedish banking subsidiaries are included in the total, the ranks swell to 24 (two foreign banks formed a joint subsidiary). Sweden's 230 finance companies provide an important, if not indispensable, source of domestic corporate financing, having developed a special niche in this business over the past decade. However, their future status has been cast into some doubt and the sector will see some radical changes in its operating climate by the end of this year if the regulatory authorities have their way.

The mid-1980s saw the emergence of a new source of capital, namely the finance departments of Sweden's large corporations. These have set themselves up in much the same way as bank-owned finance houses and are now beginning to make themselves felt as a potent force in the field of financial services.

One such example is the electrical engineering group ASEA, which in just over two years has developed a thriving network of finance-oriented units embracing corporate finance, banking tasks related to loans, foreign exchange and money market operations, project finance, insurance, stockbroking and even countertrade.

Moreover, a variety of new markets has sprung up, endowing Swedish finance with a wider choice of lending vehicles and instruments. For example, the commercial paper market has developed into a thriving market in the short time since the central bank did away with most interest rate controls and now represents an important source of company financing, with about 150 borrowers already having issued their own commercial paper programs.

As evidence of growing deregulation in the Swedish financial markets, a second privately initiated options and futures exchange

was introduced in Sweden early this year. The exchange, with initial total risk capital of 60 million kroner, is permitted to launch call options on companies as well as share index options.

With the removal of certain interest rate controls in September 1985 and again in June 1987, the Norwegian authorities took major steps forward in deregulating the domestic financial markets, a process that has been under way since the early 1980s.

"The main move in 1985 was suspension of the system of interest rate declarations by the Finance Ministry, whereby the interest rate level on loans from banks and life insurance companies had been administratively set since 1980, and in 1987, the abolition of banks' primary reserve requirements," noted a Norwegian central bank official.

Interest rates thus were allowed to move more freely, albeit under the premise that money-market and bond interest rates determine the interest rates on short- and long-term loans, respectively.

The authorities, therefore, continue to exert influence on interest rate formation through setting the terms of new issues of government bonds and Treasury certificates as well as through guidelines for Bank of Norway purchases and sales of such paper in the secondary markets.

As of 1987, there were 31 domestic commercial banks in Norway, with combined aggregate assets totaling about 350 billion Norwegian kroner (\$53 billion). They included four new banks, the first such new banking houses to be set up in 35 years. Nine foreign-owned subsidiaries have commenced operations. The same banking regulations pertaining to the domestic commercial banks apply to the foreign subsidiaries, and in theory they are permitted to engage in most of the usual retail and wholesale banking services.



Poul Schlueter

Up to this year, however, they faced a serious competitive disadvantage in that they could not engage in capital market (securities) business, raise subordinated loan capital or set up branches. This has now changed for the better, as the government heretofore is allowing all the foreign banks to deal in shares and bonds.

The growing liberalization in the Norwegian financial markets was marked this month by the creation of two official share options markets in Oslo. Sanctioned by the Finance Ministry, the new exchanges were to have an initial total risk capital of about 100 million to 150 million kroner and will be permitted to launch call options on companies as well as share index options and futures options.

In Denmark, the Copenhagen Bourse is undergoing a period of wrenching reform, including the introduction this year of an electronic trading system to replace the old auction system and the end of the monopoly to trade on the bourse heretofore exercised by 27 licensed brokerage firms.

The net effect of this reform is that the banks and insurance companies are now setting up their own brokerage subsidiaries with the aim of entering the lucrative stockbrokerage and securities markets.

Deregulation has also swept the Finnish financial markets; short-term money rates have been liberalized and the central bank has altered its basic monetary control instruments; mutual funds were given the go-ahead earlier this year and henceforth nonresidents will be able to hold a greater share in the equity of Finnish firms.

The banks have expanded the range of services they offer, branching out into securities trading and winning experience in relatively new areas, such as corporate paper, large short-term deposits and interbank lending.

## Swedish Bankers Wait For Wider Liberalization

By Juris Kaza

STOCKHOLM — Swedish banks are looking forward to further liberalization measures that will allow them to operate more flexibly both on a regional and international scale.

Domestically, the far-reaching deregulation is already heating up competition. This has started to affect earnings, which banking sources said were off around 10 percent in the first four months from record levels in 1986.

Then, profits for major banks were up between 35 percent and 87 percent from 1985, despite a sharp rise in credit write-offs due mainly to financial trouble at Fermenta, the antibiotics maker that has been plagued by scandal.

The Swedish government recently permitted banks to open foreign branches, backed by the parent bank's capital. Some of the nation's largest banks have already announced plans to open branches in London, New York and the Cayman Islands.

The next step, according to Sven Baakman of the Swedish Banking Association, could be to allow partial foreign ownership of Swedish banks.

According to Per Aake Harrison, first executive vice president of Skandinaviska Enskilda Banken (SE-Banken), such a move would allow the last step of the planned formation of Scandinavian Banking Partners (SBP) by letting Finnish, Danish and Norwegian banks take a share of SE-Banken.

Foreigners are now forbidden to own Swedish bank shares and, as a result, bank earnings and the performance of major bank shares have been of little interest outside the country.

Mr. Harrison said that the operating strategy of SBP is to offer a regional network of 1,000 branches linking SE-Banken, Denmark's Privatbanken, Finland's Union Bank of Finland and Norway's Bergen Bank, was already functioning well.

But he admitted that allowing all the partners of SBP to interlock their share capital could be a first step toward an entity that would operate as a single Nordic super-bank.

Some commentators have said that this has always been the intention of SE-Banken, the largest

bank in the Nordic area. However, Mr. Harrison said there were no such concrete plans, "although in the very long term, it is something to dream about."

He said, however, that SBP was one way to compete against the operations of foreign banks in Sweden and the other Nordic countries. "We avoid having to open branches in our neighboring markets," he said. "At the same time, we have a network. Instead

conglomerate. It includes Gota-banken, a securities brokerage, finance and investment companies and the bank's foreign operations.

In the infant foreign banking community, members are already mourning their first casualty. France's Banque Paribas announced this summer that it was closing its subsidiary bank and reverting to a representative office in Stockholm. This leaves 11 foreign banks in Sweden.

## 'Margins are falling, so commercial lending is not that interesting.'

of an office in Stockholm, we are represented almost everywhere."

According to Mr. Baakman of the Bankers' Association, a government committee reviewing banking law is rumored to be ready to allow up to 15 percent foreign ownership of Swedish banks.

Beyond complying with the original SBP proposal that the partners take, together, a 10 percent share of each other's capital, such a reform would not cause foreign banks to try to buy into Swedish institutions.

Far more interesting, according to Mr. Baakman, is the unresolved issue of reciprocity on opening branches. "Swedish banks internationally are pretty small, so when you open up in New York, you are just one of many," he said. "But for us, to have a giant like Citibank open a branch, backed by the full capital of the parent is different."

Mr. Harrison of SE-Banken doesn't see a serious problem. "They did business before, even before they were able to have their own banks here," he remarked. "We as banks would not suffer at all that much."

When it comes to corporate lending, Mr. Harrison said that foreign banks were welcome to compete. "Margins are falling, so commercial lending is not that interesting," he said.

Banking sources also say they are watching the formation of the Gota Group, which promises to be Sweden's first financial services

Bo Hammerich, managing director of Citibank AB, would not comment on why the French bank closed, but said that most foreign banks in Sweden would have to endure a few years of red figures.

As a hypothetical example, he said that the additional staff and possibilities opened by subsidiary bank status could help Citibank arrange a deal for a Swedish corporation in South America that otherwise might not have been possible.

"We might do a bit here, but the profits from a major financing would end up on the books of, say, Citibank in Argentina," he explained.

In line with the SE-Banken executive's remarks, Mr. Hammerich noted that, "We don't do too much traditional lending, because our best customers are the top 40 or 50 Swedish companies and they are so liquid they don't borrow. Sometimes they go to the market directly with their own financing units."

The Citibank executive said one of the new bank's strongest specialties was foreign exchange, where it had captured around 3 percent of the Swedish market. "That makes us relatively large," he remarked.

Mr. Hammerich, a Swede who is a senior member of the foreign banking community — he ran Citibank's representative office before foreign banks were allowed in Sweden — said he expected that other foreign banks would move into Sweden in coming years.

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## Consolidating Gains ■ Mixed Performance

## Finnish Banks Rally On Capital Markets

By Juris Kaza

**H**ELSINKI — After a period of rapid expansion abroad in the early and mid-1980s, major Finnish banks now look forward to consolidating and exploiting their international gains.

"I believe this time in international banking is not one of rapid expansion, but a period where progress will be slower and steadier," said Bo Harald, a first vice president at Union Bank of Finland (UBF), one of the nation's two large privately owned commercial banks.

Both Mr. Harald and Jaako Lassila, chairman and chief executive officer of the rival Kansallis Osake Pankki (KOP), believe international capital markets' activities on behalf of Finnish clients will be a major area for expansion and competition.

"There is a lot of securitization going on domestically," Mr. Lassila said. "The capital markets are growing. Equity prices have gone up 60 percent in a year. We are very active in arranging private placements and international syndicated loans for Finnish customers."

"Our main international activity now is to place Finnish paper with foreign investors," said Mr. Harald.

The internationalization of Finnish capital markets has occurred against a background of domestic deregulation that has

made competition much tougher on the Finnish home market.

UBF's most recent international addition was a subsidiary bank in Paris, which was formally opened earlier this year, although it already started operations in late 1986.

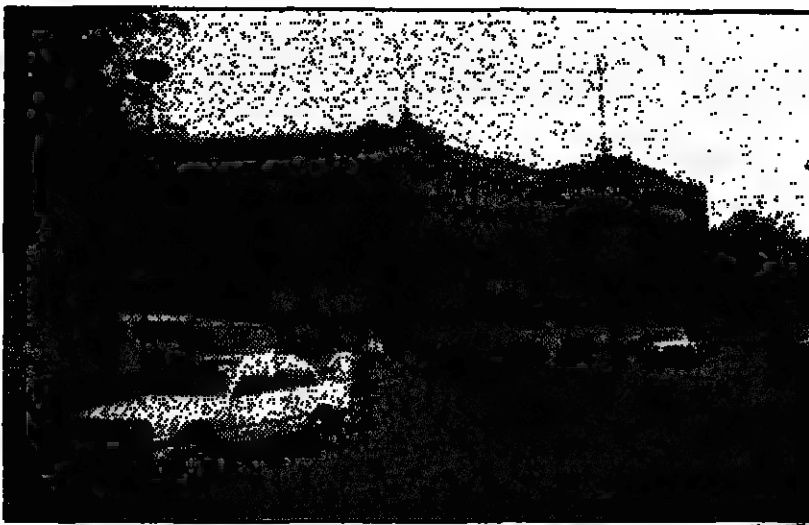
According to Mr. Harald, the Paris operation is a sign that UBF believes there will be an increasing Finnish corporate presence in the European Community countries.

"Once Finnish papers get better known, there is the possibility for good growth in investor markets such as the United Kingdom, Germany and the United States," he said.

Both Finnish banks also agree that the world's largest market for placing securities may be Japan, but neither UBF nor KOP, nor any of the other major Nordic banks, is ready to move beyond having a representative office in Tokyo.

"There is an obvious interest in Japan for Finnish paper, but we are working on the hypothesis that our representative office meets our needs there," Mr. Lassila said. "We opened a representative office in Tokyo because it is an important market to place our own triple-A paper, and we can get pretty good financing out of Japan for our customers, too," Mr. Harald said. But he quickly added, "We don't see upgrading the operation. That is a very tough market."

In the Nordic regional market, which both rival banks see as an extended "home



Headquarters of Kansallis Osake Pankki in Helsinki.

market," UBF and KOP are pursuing different strategies.

"The branch network of the partners makes it possible to market our cash management and transfer products," Mr. Harald said. "Companies are paying very much attention to cash management in Finland."

He noted that UBF recently opened a representative office in Gothenburg, Sweden, to look after business in western and southern Sweden, while Privatbanken, the Danish SBP partner, has just opened a representative office in Helsinki. Regarding the rival strategy of opening a subsidiary in Sweden, Mr. Harald said, "It's very difficult to be profitable in Stockholm."

Mr. Lassila, who was visiting Kansallis Banken, the KOP subsidiary in the Swedish

capital, for a board meeting, said that retail banking, the one activity other foreign banks shun, was proving the most successful for the new bank.

"The retail side is relatively good, but Stockholm is a difficult market on the corporate side," he said. KOP and another Finnish bank, OKO Bank, actively promoted retail banking services aimed at the large Finnish immigrant community in Sweden.

Besides offering services in Finnish, which is not really necessary for many bilingual permanent immigrants, both Finnish banks also offered expatriate Finns the chance to have the same bank in Sweden and Finland, where many Finns still have assets and where they retire to after working in Sweden.

## Danish Banks Diversify

By Michael Metcalfe

**C**OPENHAGEN — Danish bankers, looking back on a year of mixed business performance and forward to a more uncertain financial future, have little to be satisfied about these days.

National elections on Sept. 8 produced the worst possible result for the then ruling non-Socialist government and Socialist opposition alike — a political stalemate with no single block the outright winner.

For Denmark's 80 commercial banks and 150 savings banks, the prospect of a hung parliament, in which all legislation will be hotly contested and revised, could not have come at a worse time.

According to political and financial analysts, the financial community is undergoing a delicate phase of transformation, where the traditional lines separating the activities of banking, bro-

king, insurance and other financial services are fast becoming blurred.

"With the trend of diversification into other financial sectors well under way, a period of political and financial stability to consolidate banking strategies and to build up market shares was in much need but now appears far off," a Danish banker said.

The banks, competing for declining shares of a shrinking bond and stock market, have seen their

profit and interest margins cut and have been compelled to seek earnings elsewhere, such as in stock-broking, insurance, private investment advisory services and mergers and acquisitions.

The Danish equities market has not had a good year this year, when compared with the record-breaking performances of other stock markets, including those of Norway and Sweden. In addition, the international trend toward securitization of debt and lending instruments has made Danish banks more dependent on developments in this sector.

This point has been illustrated by the strenuous efforts of the banks to break up the monopoly of trade on the Copenhagen Bourse. As of this year, the 27 stockbroking firms operating on the bourse relinquished their exclusive right to trade, a privilege long contested by the banks and insurance companies, which have been obliged to pay commissions to the brokers.

As a result, many of the old brokerages are disappearing, either merging with the commercial banks or branching into other fields, such as corporate finance, private investment, banking services, project financing and portfolio management.

Now, the sole requirement for access to dealing on the stock exchange will be the creation of a stockbroking company on a limited liability basis with equity capi-

tal constituting not less than 5 million Danish kroner (\$716,000) as well as compliance with requirements concerning capital cover.

Moreover, to keep up with the rapid liberalization in international capital markets, the Copenhagen Bourse began to go electronic this year, replacing its paper-based auction system with on-line electronic trading in a selected series of stocks and bonds.

However, the banks' success in new lines of business will depend on how the market performs in the postelection environment. According to share analysts, stability is hardly the word on market-players' lips at the moment.

Under Danish accounting regulations, unrealized gains and losses from securities portfolios are entered fully into the profit and loss accounts during the year in which they occur. Thus in a good year, when bond prices rise, the banks can make huge profits; but in a bad year, when prices dive, the reverse is true and losses mount.

Last year was a bad year. According to Danish Bank Inspectorate figures, the 20 largest banks registered total losses of 917 million kroner, compared with net profits of 7.8 billion kroner in 1985 — a bumper year for bonds.

They were consequently obliged to reduce their loss provisions, to 905 million kroner from 2.3 billion kroner from the previous year.

## Dollar's Decline Hurts Economic Competitiveness

Continued from page 9

first introduced in 1982 to help reduce both inflation and interest rates.

However, the OECD warns that, in the absence of a krone adjustment, "wage restraint will have to be a fundamental requirement for an extended period" to prevent Denmark from losing an even larger proportion of its export market share.

Denmark's tight fiscal stance, reflected in September's budget plans to reduce the state deficit to 1.6 billion Danish kroner (\$229 million) in 1988 from an expected 4 billion Danish kroner this year, will help to halve the current account deficit from this year's expected 18 billion Danish kroner.

The external position will also be helped by measures to improve export competitiveness, which the prime minister will present when the coalition reassembles early in October. The 3.2 billion Danish kroner package includes a more lenient tax regime and swifter reimbursement of VAT payments for exporters.

In Norway, the economy is dominated by its dependence on North Sea oil revenue, which accounts for about one-fifth of total

gross domestic product (GDP). The impact of oil price changes is reflected in the krone's recovery this year after a sharp decline in 1986. In real trade-weighted terms, it has appreciated 10 percent since January after last year's 6 percent decline.

The krone came under pressure in the spring of last year when oil price weakness triggered a political crisis that led to the resignation of the Conservative-led coalition and its replacement by a minority Labor government.

The new prime minister, Gro Harlem Brundtland, was forced to begin her term of office with an austerity package that included a 12 percent devaluation on May 11, 1986. The Norwegian currency has managed to hold onto its trade-weighted basket peg since then, but only at the expense of high domestic interest rates.

Last year's oil price collapse pushed the current account into a \$4.75 billion deficit from a \$3 billion surplus in 1985, and the OECD expects a \$6 billion deficit this year.

"We are not sure how long we can finance this kind of imbalance," said Harald Boesem, head of the monetary department at Norges Bank (central bank), earlier this year.

However, Oslo appears determined to avoid another devaluation because of the inflationary impact of such a move. The government expects inflation to drop to an average 8.5 percent this year and 5 percent in 1988. But in the first quarter, wage costs rose 18 percent to 20 percent and are likely to cause a further erosion of competitiveness.

The oil price collapse has also affected Finland's external accounts, though the transmission mechanism is through a reduction in trade with the Soviet Union, which accounts for 20 percent of Finnish exports, rather than from a direct reduction in the value of oil exports.

The two countries have a long-standing agreement that their trade should balance. Finland mainly buys oil from the Soviet Union in return for capital goods, so lower oil prices have reduced the value of Soviet exports and, in turn, imports from Finland. That is behind the Edla research institute's forecast that exports to the Soviet Union will fall 20 percent this year.

Edla expects Finland to offset that loss by increasing exports to Western markets by 8 percent.

Edla predicts that consumer prices will

rise 3.5 percent this year and next, which will be above Finland's main trading partners. But the real effective exchange rate has remained remarkably stable since a two-stage 10 percent devaluation in October 1987.

Sweden's economy is dominated by forestry products, which account for about 40 percent of total exports and 12 percent of GDP.

The dollar's 23 percent weight has pulled the krona down 20 percent against both the Deutsche mark and the Japanese yen from its average value in the first quarter of 1985. However, Sweden has been unable to take full advantage of krona depreciation because of rapid increases in domestic wage costs.

The Swedish Industry Federation has warned that labor costs are rising too quickly compared with the country's main competitors and is concerned about Sweden's loss of market share in both home and foreign markets last year. However, union leaders are expected to call for rises of up to 15 percent to 20 percent next year following June's partial lifting of a five-month-old price freeze, which helped push inflation to 4.3 percent year-on-year in July.

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# Agencies Raise Investment Aid To Third World

By Christopher Follett

**C**OPENHAGEN — The 1980s have seen considerable increases in project funding activity in the four main Nordic countries — Denmark, Finland, Norway and Sweden. Denmark took the lead in the late 1960s in the setting up of a public development finance institution and today the four countries have bodies acting as contact brokers and financiers for industrial joint ventures.

In 1982, the Nordic countries authorized their jointly owned bank, the Helsinki-based Nordic Investment Bank (NIB), to grant loans for projects in the Third World, establishing a special Nordic Project Export Fund. This fund supports pre-operational feasibility studies involving a commercial interest from more than one Nordic country.

NIB's total project investment loan agreements and loan commitments amounted to \$415 million at the turn of 1986-87, with an authorized capital corresponding to \$979 million.

NIB, which was established in 1975 and includes Iceland, grants loans that are carried out jointly by companies and institutions in two or more Nordic countries. There are Nordic and international investment loan programs. At the end of 1986, NIB had entered into international project investment loan agreements involving 25 projects in 18 countries.

In 1986, NIB participated in a World Bank loan for a major hydropower station project in Turkey, involving a number of Nordic countries. Another loan was granted to Turkey and co-financed with Finnish export credits for a mobile telephone project.

NIB's biggest project investment so far — 243 million Swedish kronor (\$38.2 million) — has been given to the Deutsche Ausseebau-Gesellschaft in East Germany for the financing of a turnkey chemical factory for a Swedish consortium, with Denmark, Finland and Norway making subventions.

The bank is also providing an investment loan for a water supply project in Cameroon that will be carried out by a Danish firm, using Danish export credits and co-



Swedish joint venture projects include automobile manufacturing in Calcutta.

financed by DANIDA, Denmark's development aid agency. Other NIB loan commitments include the supply of funds to a port project in Indonesia and a major paper industry project in China.

Last year the Nordic Project Export Fund, which is based in Helsinki, agreed to participate in 42 projects, totaling 11.6 million Finnish markkaa (\$2.67 million). Major overseas operations receiving support from the fund in recent years have included a wood-pulp plant in Venezuela, a garbage disposal project in Saudi Arabia, an energy project in Egypt, a fisheries project in Senegal and a new abattoir complex in Hungary.

Denmark's IFU (Industrialization Fund for Developing Countries) was set up in 1971 to promote investment and joint venture activities in Third World countries, in collaboration with Danish trades and industries. It participated in the initiation of 10 projects in mine, largely African and Asian, countries last year. Three of the countries were Malawi, Bangladesh and Argentina, where IFU has not previously been active.

The current IFU active project portfolio totals about 70 projects. The fund has seen a marked increase in investment activities this year, after recording reduced net profits of 61 million Danish kroner (\$8.6 million) last year.

The growing process of privatization in Third World nations is proving to be the impetus for the public development finance institutes of Scandinavia, which all participate along with NIB in the NORDACT group.

"Privatization programs in the field of industry in the developing world, started slowly in the early 1980s... now they are gaining momentum, giving IFU and its sister organizations throughout Scandinavia scope for new activity, notably in West Africa and Latin America," said Jens Lund Sørensen, head of IFU's Iberian-French speaking countries' section.

SWEDFUND, the seven-year-old Swedish counterpart to IFU, has an authorized capital of \$40 million. With a successful joint venture seed project in Zambia, a generator and transformer program in Tanzania and a recently opened cable plant in Beijing behind it, SWEDFUND is now considering stepping up its activities in Angola, Botswana, Lesotho, Malawi, Mozambique, Swaziland, Tanzania, Zambia and Zimbabwe. The nine member states of the South African Cooperation Conference. The conference and the Nordic governments recently signed joint agreements on greater cooperation within industry, trade and culture.

**T**HE INVESTMENT activity by Finnish enterprises in developing countries has been modest. FINNFUND, the Finnish Fund for Industrial Development Corporation, although hit by a temporary slowdown in investment by Finnish industry abroad, helped Finnish industry in projects in Southeast Asia, India and China last year. Meanwhile, Norway's NORAD has concentrated on projects in Africa and Asia.

# Competitive Pace Blunts Profit Margins in Norway

## Backlash puts damper on liberalizing trend

Special to the IHT

**O**SLO — Competition, not regulation, has been the keynote tuning banking and finance developments in Norway during 1987. And the melody has been far from easy on the ears of bankers operating here.

Sweeping deregulation, a reversal in economic fortunes and unprecedented growth of financial markets — including the booming Oslo Bourse — and of business volume have sharpened the competitive climate in Norway and limited banks' interest and profit margins.

"Traditional market forces — long the accepted pattern of doing business in financial centers such as London, New York, Frankfurt and Zurich — are new to the Oslo scene and the players have had a job on their hands just to cope and keep up with the changing situation," said one senior Norwegian banker.

The domestic capital market has become less restricted in past months and recent measures are helping to loosen the reins of central bank control and create a more flexible and liberal financing climate.

But there has been a backlash to the liberalizing trend. Currently, the central bank (Norges Bank) and government authorities are using a variety of interest rate instruments and open market operations to control credit, setting annual recommended targets for credit expansion.

Both domestic liquidity-supply and money-supply growth in 1986 tapered off from their high 1985 levels. Curbing this potentially explosive trend was a series of measures aimed at slowing the strong growth in credit and liquidity.

"The measures were mainly directed toward the supply side of the market, but they also forced a sizable increase in banks' lending rates," noted another Oslo banker. The government followed up these measures by lowering the annual lending target for commercial banks in 1986 and 1987 by 5 billion Norwegian kroner (\$751 million) to 19 billion Norwegian kroner.

In the effort to curb bank lending, banks exceeding the prescribed lending limits are now required to deposit a minimum of 15 percent of their primary reserves in non-interest-bearing accounts with the central bank.

During 1987, domestic interest rate levels have remained extremely high. Domestic money market rates went as high as 20 percent to 25 percent at the end of 1986 but have since fallen to levels closer to 15 percent. The higher lending rates, currently the highest in the 24 OECD member countries, were clearly aimed at curbing demand. Following a sharp rise during the first half of this year, the rate of growth in total lending by commercial banks and savings banks to municipalities, businesses and wage earners has leveled out but still exceeds the government's 19 billion kroner ceiling.

"The danger of accelerating growth persists and, in its 1988 budget proposals, the Labor government will again try to curb excessive lending through a dual policy of lending ceilings and prescribed penalties for commercial banks," said a Finance Ministry official. To reinforce the trend toward a more open market, however, the Norges Bank decided to abolish its discount rate as of the start of 1987 because the rate had stood at 8 percent since June 6, 1983, and applied only to the minimum portion of credit given to any one bank, while for amounts above this level, the banks had paid a correspondingly higher interest rate of up to 15 percent annually.

By this month, interest rates in the short-term money market stood at a high 15 percent, and projections indicate the government's austerity program will keep the liquidity situation tight through 1987 and into 1988.

The most important credit restriction up to 1987 was the raising of the banks' primary reserve requirements to reduce liquidity and curtail lending. However, the primary reserve requirement ratio for both commercial and savings banks (which stood at 3 percent in December 1986) was abolished as of June 1, 1987, while the ratio for finance companies was cut from 14 percent to 9 percent.

Commercial and savings banks have automatic access to loan facilities at the central bank, the so-called "D" (daily) borrowing facility, at interest rates depending on the prevailing level of liquidity. The total of overdrafts during the one-month lending period is limited to a fixed percentage of the bank's total assets. If a bank needs even more funds, it may use the central bank's overdraft facilities, but at a proportionately higher interest rate.

Since 1984, foreign banks have been allowed to set up subsidiaries in Norway, and seven of 10 foreign banks applying were given permission to do so in 1985, followed by two others in 1986. These units are subject to domestic banking, credit and foreign exchange controls.

Thus far, these banks have found the going hard, and all posted losses in 1986.

The picture is changing, however. Hitherto denied the opportunity to compete on an equal footing with domestic Norwegian banks, by not being allowed to engage in capital market (securities) business, raise subordinated loan capital or set up full branches, the government is now allowing all the foreign banks to deal in shares and bonds.

"The foreign banks are holding their own by catering mainly to Norwegian firms operating accounts in foreign currencies and raising capital abroad. In addition, they perform services for government agencies and larger municipalities that borrow overseas," said a foreign banker here.

The foreign banks that have set up subsidiaries so far are Citibank, Chase Manhattan and Manufacturers Hanover of the United States, Indosuez, Paribas and Banque Nationale de Paris of France, Samuel Montagu of Britain and two Swedish-owned banking groups.

The 31 domestic commercial banks in Norway, with combined aggregate assets totaling about 350 billion Norwegian kroner, include four urban banks, the first such new banking houses to be set up in 33 years, and evidence that the Oslo banking scene is far from saturated.

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## ARTS / LEISURE

## Jessica, Donna, Fawn and Fame

By Andrew L. Yarrow

New York Times Service

NEW YORK — They are all young and attractive — three women catapulted into the limelight because of their associations with three of the male heroes or villains of the summer of 1987.

Beyond these superficial similarities, Donna Rice, Fawn Hall and Jessica Hahn have little in common other than an apparent desire to cash in on their experiences, relationships and good looks in what has become the standard currency of celebrity: movie, book and television deals, commercials, magazine stories and television talk-show appearances.

Rice, 29, the Miami model and actress whose reported two-weeks relationship with Gary Hart led to the demise of his presidential candidacy, has gathered an assemblage of career advisers and currently can be seen in several clothing commercials. Hahn, 28, a former church secretary from West Babylon, New York, who said in an interview in the November issue of *Playboy* that Jim Bakker, the television evangelist, and an associate forced her to have sex with them, posed topless and will be making the rounds of the talk shows. Hall, 28, the former secretary to Lieutenant Colonel Oliver L. North, who testified that she assisted him in shredding and altering National Security Council documents but made it clear that they were not romantically involved, recently signed with the William Morris Agency.

"Fame is transfiguring; it makes the person symbolic and lifts them

out of the normal moral system," said Leo Brandy, who is the author of "The Frenzy of Renown," a study of the history of fame, and an English professor at the University of Southern California.

"The Greek root of 'fame' means to be talked about," he continued. "But in our world, we define fame as to be seen. There's an urge to visibility in American society. And to be seen, you have to be in movies, television or magazines."

"Elizabeth Taylor said it best," said Steven M.L. Aronson, author of "Hype," a 1983 book about the manufacturing of famous personalities. "Success is the best perfume."

"It's certainly an established tradition for society to be interested in the mysterious woman behind the man's downfall," said Susan Brownmiller, the author of "Femininity" and "Against Our Will."

"But it absolutely couldn't have happened if they hadn't been in their 20s, white and blond, and it couldn't have happened to a man."

"People are fascinated with the dark side of the public man," Brandy said. "And, because in America the nature of celebrity has a lot to do with the idea that anyone can make it, these women are appealing because they're bridges between the world of the normal and the world of the famous."

Public perceptions of the three women appear to be tinged with ambivalence. As Aronson said: "The American people don't like to see people making money from crime or sin. But for the girls, the question is do you want to be poor, honest and forgotten or rich, sleazy and famous?"

Rice has been the most active in her pursuit of fame. In June she was interviewed by Barbara Walters on the ABC program "20/20," and before that, Rice was being advised by Tricia Erickson, the owner of a Washington modeling and casting agency and a friend of Fawn Hall, who has described herself as Rice's "crisis manager." She also has two Hollywood agents, a book agent, an interim manager and a lawyer, Thomas W. McAulley, who is representing her concerning "possible litigation about various photos that have been published."

On Sept. 8, Rice began appearing in two 15-second television commercials promoting a line of clothing called No Excuses. The ads contain an unmistakable reference to her relationship with Hart: "I make no excuses," she says. "I only wear them."

The first of many similar magazine advertisements are due in November. Ray Manzella, a manager, said that he had discussions on behalf of Rice with Liz Nickles, an author, about co-writing her autobiography; with ABC, about doing a television movie based on her life; with MTV, about her being a guest video jockey; and about doing other advertisements.

An ABC spokesman, Jim Brochu, confirmed that discussions had been held, but Carol Robinson, an MTV spokeswoman, said the closest Rice had come to being on MTV was her appearance in the audience at the Video Music Awards. Curtis said that Rice and Nickles had started working on a book and that he had made "major presentations to all the important

hard-cover-soft-cover publishers, but no one was willing to pay a six-figure advance."

*Playboy* and *Penthouse*, however, did make six-figure offers to Rice, as well as to Hall and Hahn, to pose nude, according to spokesmen for the magazines. Whereas Rice and Hahn have rejected the offers, Hahn accepted between \$500,000 and \$1 million for a two-part *Playboy* series. And as part of her current publicity barrage, Hahn has scheduled appearances on ABC's "Good Morning America," "Donahue" and the "CBS Morning Program."

Hahn said that she had made no commitments to any movie, television or book deals and that she would defer to the advice of Dominic Barbara, her New York lawyer. "First, I want to explain to people what happened and let them see what I'm about," she said. "I did *Playboy* because I had felt insecure as a woman and, for seven years, felt like a slave to what had happened. I posed to be free of this."

Barbara said he had advised her to tell her story in *Playboy*, and said that he had also had discussions "with all four networks, including Fox, about a three-part miniseries, as well as with six or seven publishers and several agents" about a possible autobiography. "One of the nighttime soaps wanted Jessica to appear in about 10 episodes," he added. And "people have asked us to do endorsements, particularly in Japan and France," he said.

By comparison, Hall has kept a low profile. However, in August, the part-time model signed with Ron Yarter and Norman Brokaw, East and West Coast agents with the William Morris Agency, and



From left, Rice wearing "No Excuses;" Hall swearing the oath; Hahn pleading innocent.



scribed as a media "feeding frenzy," few observers expect Rice, Hall and Hahn to fare much better than their predecessors. "They'll be next year's trivia questions," Brandy said. "It's a classic case of hype," Aronson said, "which is much more ado about something than that something is worth." And even McAulley doubted, in the long run, if his client would be more than "a footnote to history."



Allan Botchinsky and Marion Kaempfert.

## Exporting Jazz to the U.S.

By Mike Zwerin

International Herald Tribune

PARIS — Trying to sell a demo tape of "First Brass" in the United States for more than a year, Marion Kaempfert spent "many pleasant hours with fantastic record company presidents" who praised her product but said it was "too good for our catalogue."

"How can anything be too good?" she wondered, not having been in the jazz business before.

The First Brass group can be superficially described as a hip Tijuana brass. Two trumpets and two trombones (no rhythm) are over-dubbed up to three times to make a brass section that plays material from "The Lady in Blue" to "Well-Well." The trombonists Bert and Erik van Lier are Dutch, the Englishman Derek Watkins plays lead trumpet and the jazz solos are by the leader and arranger Allan Botchinsky, who worked with the Dutch Radio Big Band (once led by Thad Jones) for 20 years and now lives in Hamburg, as does Kaempfert.

She runs the estate of her father Bert Kaempfert, principally publishing rights for his 500 songs, including "Strangers in the Night" and the 45 albums recorded by his orchestra. She believes her father would be pleased that his catalogue subsidized the creation and marketing of "this quality product nobody wanted in America."

Testimonials. Leonard Feather: "The musicians' technique is remarkable... a most successful album." Bob Brookmeyer: "Superb." Dizzy Gillespie: "Derek Watkins is Mr. Lead trumpet." Brass Player Magazine: "You MUST add this album to your collection."

But this is not so much a biography of people or a band as a story about selling quality music in a business run by accountants for whom quality is programmable. After listening to several tracks, a major record company's "brass expert" — a young lawyer in dire need of expertise — said: "It's not commercial enough." He told her that he plays cornet in a Dixieland band every Saturday. The First Brass album was used as a soundtrack for the TV documentary "Hamburg, Pictures From a Big City," aired by West Germany's ZDF network in July. It was so

effective and well received that Kaempfert formed her own label, M.A. Music, and released the album in West Germany.

Then she unexpectedly signed a deal in an unlikely place, Minneapolis, with a distribution and packaging outfit called K-Tel, which makes those speedy one-min-

**Jazz appears to be moving across the Atlantic from Europe instead of up the Mississippi from New Orleans.**

ute commercials you see on late night and local TV in the U.S., advertising a collection of 20 singers' greatest hits on a record available in your neighborhood supermarkets for, like, \$5.99. The machine gun voice-off sounds like a tobacco ad. Not exactly a class operation. K-Tel wanted to add jazz and, being unapologetic salesmen, were smart enough to realize they have no smarts on the subject. They were objective enough to hear First Brass's combination of quality and commercial potential. But they wanted the entire label and Kaempfert got more than she bargained for — a distribution deal retaining complete artistic control for 6 to 12 albums a year, all either made or produced by Botchinsky.

"First Brass" is scheduled for October release in the United States. M.A. Music's second album is a "Dialogue" between the Chet Bakeresque Botchinsky and his fellow Dane, the bassist Niels-Henning Ørsted Pedersen, who could not accept Count Basie's offer of a job when he was 17 because he was too young for an American working permit, later he worked for many years with Oscar Peterson. Most jazzmen agree with Lemmie Tristano's assessment: "Niels may be the best bassist in the world." NHOP has been known to fall asleep practicing with the bass on his stomach. Although a bass and trumpet duet might not seem like viable instrumentation, anyone who takes the trouble to listen to

music in the first place is bound to do a double-listen to "Dialogue."

So a hard-sell schlock-music marketer in the American heartland looks to Europe for its jazz catalogue. Europe supplying the birthplace of jazz with its own music is not, in fact, without precedent. Django Reinhardt, Joe Zawinul, Jan Hammer, Jean-Luc Ponty and NHOP are previous examples. Munich's ECM Records released Keith Jarrett's "K&N Concert," one of the best-selling albums of the '70s in the United States. And this year's Down Beat critics poll named the Italian Giovanni Bonardini and his Milanese Black Saint/Soul Note Records as jazz producer and labels of the year.

Jazz appears to be moving across the Atlantic from Europe instead of up the Mississippi from New Orleans.

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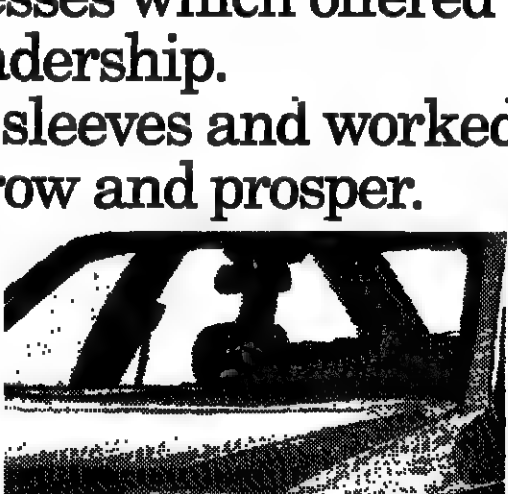
Then we rolled up our sleeves and worked to help those businesses grow and prosper.

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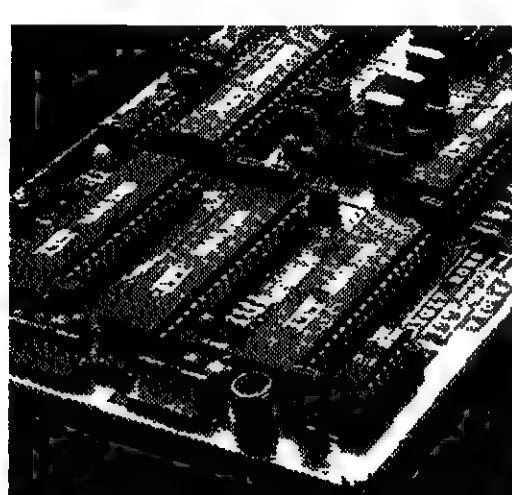
And grew more than 30%.

Two of its major units are Teves GmbH, developer of anti-lock braking systems, and SWF Auto-Electric GmbH, a leader in wiper-system technology.



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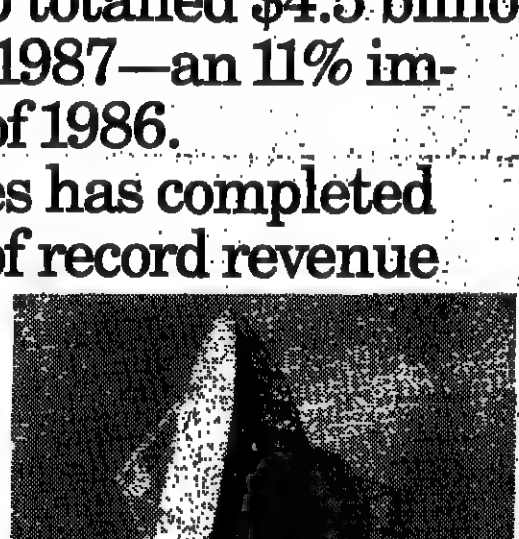
duction of integrated circuits. And it developed the microchip for the most exciting video product in 30 years: digital television.

Worldwide premiums for The Hartford Insurance Group totalled \$4.5 billion

for the first six months of 1987—an 11% improvement over first half of 1986.

ITT Financial Services has completed twelve consecutive years of record revenue and income.

And our joint venture with CGE, Alcatel N.V., has given us 37% ownership in what is now the largest telecommunications manufacturing company in the world.



These are just six of the businesses we're in that are already leaders in their fields. We're also leaders in Fluid Technology, Defense Technology, Communications and Information Services and Natural Resources.

The hard work is paying off. In the first 6 months of 1987, net income is up 60%, totaling \$427 million, or \$2.80 per share, compared to \$266 million, or \$1.75 per share for the first 6 months of last year.

And we've only just begun.

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ITT Corporation, 320 Park Avenue, New York, N.Y.

**INTERNATIONAL**

**financial**

**We talk your**

**SEPTEMBER**

**Taiwan Is All**

**With Nowhere**

**By ANDR**

**TAIPEI** — The Taiwan boom has m... records as thousand... boom that has sent... percent this year. The... record 4,471.62... million. Taiwan...

...the boom has m... it is a symptom... has too much money... could go bust.

...a disaster, waiting... racked up foreign... reserves of \$64 bil... through its huge trade... Much of the money... into the stock mar... the absence of other... outlets. Market... is now at \$66...

...funds began... into Taiwan after the... dollar began appreciat... in the swollen fu... United States has bee... currency to reduce th... each grew to \$9.4 billion... surplus compared w... of 1986.

...an currency has bee... Taipei government has... the currency to fi... U.S. trade retaliation... bank also has to... funds, and... earnings over... the government fr... banks at end-of-A... Monday that... because it had been... borrowings, ... end of May, drop... billion in both July...

**YET THE stock boom**... about 30 percent of st... \$10 billion, great... and Singapore.

...alone, 18,000... houses, mostly by... and buying shares... ground to a halt... shares shot up by 5... under stock exchange... The market has a two... said Blair Pickers... Fleming.

...Rickerell said he was... the problem of... economy is forecast... nearly full employment... said that market... of a trade boom... on travel to the main... Minister Yu Kuo-hua... to visit China, howe... mainly to make...

**Current**

Country	Rate	Unit	Rate	Unit
U.S.	5.25%	100	1.75%	100
U.K.	10.00%	100	10.00%	100
West Germany	8.00%	100	8.00%	100
France	7.00%	100	7.00%	100
Italy	12.00%	100	12.00%	100
Spain	10.00%	100	10.00%	100
Japan	5.00%	100	5.00%	100
Canada	9.00%	100	9.00%	100
Australia	10.00%	100	10.00%	100
New Zealand	12.00%	100	12.00%	100
South Africa	10.00%	100	10.00%	100
India	15.00%	100	15.00%	100
China	10.00%	100	10.00%	100
Indonesia	15.00%	100	15.00%	100
Malaysia	10.00%	100	10.00%	100
Philippines	15.00%	100	15.00%	100
Singapore	10.00%	100	10.00%	100
Thailand	15.00%	100	15.00%	100
Taiwan	10.00%	100	10.00%	100
Vietnam	15.00%	100	15.00%	100
Yugoslavia	10.00%	100	10.00%	100

**Interest**

Country	Rate	Unit	Rate	Unit
U.S.	5.25%	100	1.75%	100
U.K.	10.00%	100	10.00%	100
West Germany	8.00%	100	8.00%	100
France	7.00%	100	7.00%	100
Italy	12.00%	100	12.00%	100
Spain	10.00%	100	10.00%	100
Japan	5.00%	100	5.00%	100
Canada	9.00%	100	9.00%	100
Australia	10.00%	100	10.00%	100
New Zealand	12.00%	100	12.00%	100
South Africa	10.00%	100	10.00%	100
India	15.00%	100	15.00%	100
China	10.00%	100	10.00%	100
Indonesia	15.00%	100	15.00%	100
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Philippines	15.00%	100	15.00%	100
Singapore	10.00%	100	10.00%	100
Thailand	15.00%	100	15.00%	100
Taiwan	10.00%	100	10.00%	100
Vietnam	15.00%	100	15.00%	100
Yugoslavia	10.00%	100	10.00%	100

**Exchange Rates**

Country	Rate	Unit	Rate	Unit
U.S.	1.00	100	1.00	100
U.K.	0.75	100	0.75	100
West Germany	0.60	100	0.60	100
France	0.65	100	0.65	100
Italy	0.00	100	0.00	100
Spain	0.16	100	0.16	100
Japan	0.00	100	0.00	100
Canada	0.70	100	0.70	100
Australia	0.70	100	0.70	100
New Zealand	0.70	100	0.70	100
South Africa	0.70	100	0.70	100
India	0.00	100	0.00	100
China	0.00	100	0.00	100
Indonesia	0.00	100	0.00	100
Malaysia	0.00	100	0.00	100
Philippines	0.00	100	0.00	100
Singapore	0.00	100	0.00	100
Thailand	0.00	100	0.00	100
Taiwan	0.00	100	0.00	100
Vietnam	0.00	100	0.00	100
Yugoslavia	0.00	100	0.00	100



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KING BUSINESS

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TUESDAY, SEPTEMBER 29, 1987

# BUSINESS/FINANCE

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## INTERNATIONAL STOCK MARKETS

### Taiwan Is All Pumped Up With Nowhere Else to Go

By ANDREW BROWNE

**T**AIPEI — The Taiwan Stock Exchange is breaking all records as thousands of small investors cash in on a boom that has sent the index rocketing by almost 300 percent this year. The weighted index rose 106.92 points Saturday to a record 4,471.62 on volume of 24.6 billion Taiwan dollars (\$817 million). Taiwan's markets were closed Monday for a holiday.

Although the boom has made fortunes for many investors, brokers warn it is a symptom of a serious economic problem: Taiwan has too much money with nowhere to go. Many predict the boom could go bust.

"It's a disaster waiting to happen," one broker said. Taiwan has racked up foreign exchange reserves of \$64 billion through its huge trade surplus. Much of the money is flowing into the stock market in the absence of other investment outlets. Market capitalization is now at \$66 billion. Speculative funds began pouring into Taiwan after the dollar began appreciating against the U.S. currency last year, resulting in the swollen foreign reserves. The United States has been pressing for an even stronger Taiwan currency to reduce the big U.S. trade deficit with the island, which grew to \$9.4 billion in the first seven months of this year. That surplus compared with \$7.5 billion in the comparable period of 1986.

The Taiwan currency has been trading at about 30 to 1, a level that the Taipei government has pledged to defend. The central bank boosted the currency to that rate in August in the hope of averting U.S. trade retaliation.

The central bank also has taken steps to curb the inflow of foreign speculative funds, and encouraged businesses to freely invest their export earnings overseas for the first time since 1949. In June, the government froze overseas borrowings by local and foreign banks at end-of-May levels. The governor of the central bank said Monday that Taiwan would end the freeze on Wednesday because it had been largely successful in limiting the inflow. Overseas borrowings, which stood at a record \$13.9 billion at the end of May, dropped to \$11.4 billion in June and to about \$10 billion in both July and August, the central bank said.

**Y**ET the stock boom has continued. While only 133 companies are publicly listed on the Taiwan exchange and only about 30 percent of stocks are actively traded, volume in August was \$10 billion, greater than the combined turnover in Hong Kong and Singapore.

In August alone, 18,000 new accounts were opened with brokerage houses, mostly by small investors who are withdrawing bank savings and buying shares across the board. Trading ground to a halt several times this month as all but a handful of shares shot up by 5 percent, the maximum daily gain permitted under stock exchange rules, within hours of the market opening. "The market has a tremendous amount of buyers and few sellers," said Blair Pickrell, the Taiwan general manager of Jardine Fleming.

Mr. Pickrell said he was bullish about market prospects, noting that the problem of excess cash was still unresolved and that the economy is forecast to grow by more than 10 percent this year with nearly full employment.

Some brokers said that market sentiment also was boosted by the prospects of a trade boom with China when Taipei lifts a 38-year ban on travel to the mainland.

Prime Minister Yu Kuo-hua has ruled out allowing all citizens of Taiwan to visit China, however, saying that the plan to lift the ban is intended mainly to make family reunions possible.

### Deutsche Mulls Debt Solution

#### Forgiveness Is Not Ruled Out

**W**ASHINGTON — Deutsche Bank AG would not rule out offering debt forgiveness as part of a solution to the Third World debt crisis, Alfred Herrhausen, a managing director of the bank, said Monday.

He also said that his bank had now set aside reserves for 70 percent of its exposure to problem debts and would increase that amount at the end of the year.

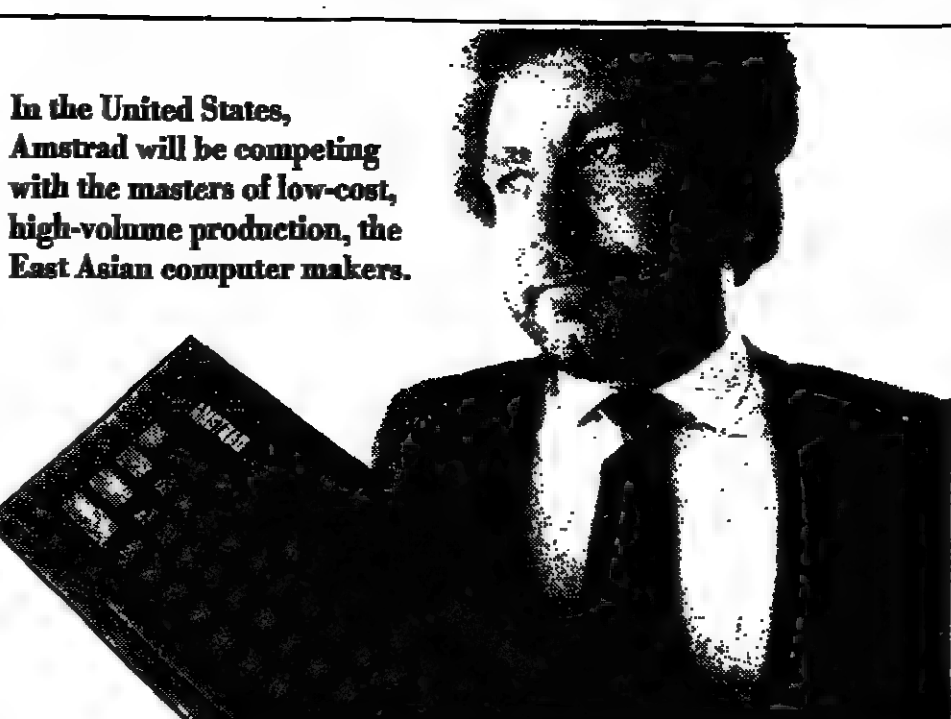
Mr. Herrhausen named three categories of banks whose requirements in debt restructuring were vastly different: those with loan loss reserves, those that had just started making provisions and those, especially Japanese banks, that had so far set aside little for problem loans.

Mr. Herrhausen said he was not sure whether the Brazilian debt package, outlined last Friday to creditor banks in Washington, would address the needs of all three categories of banks.

But he said that, depending on terms, Deutsche Bank, West Germany's largest, would consider buying the bonds that Brazil seemed ready to offer to convert some of its debt.

Mr. Herrhausen said that many of the new instruments being proposed as solutions to the crisis were nothing more than forgiveness. Debt forgiveness relieves debtors of their obligations under a borrowing agreement.

Asked if Deutsche was prepared to make direct debt forgiveness, Mr. Herrhausen said, "What I'm saying is that I would not rule it out."



Alan Sugar, head of Amstrad, with one of the computers his company markets.

### Amstrad Targets U.S. for Growth

#### But U.K. Computer Firm May Find Market Is Tougher

By Steve Lohr

**L**ONDON — Alan Sugar, one of Europe's most successful entrepreneurs of the 1980s, distilled the ethos of his company, Amstrad Consumer Electronics PLC, in a rare speech a few months ago.

Noting that other companies have slogans boasting of how well they look after their customers, Mr. Sugar exclaimed, "At Amstrad, we want your money!"

In recent years, Amstrad has gotten plenty. Once a tiny British peddler of hi-fi systems and television sets, Amstrad has been transformed into Europe's leading marketer of home computers and one of its fastest-growing companies.

Since 1980, when Amstrad went public, its sales have jumped 35 times to \$502 million in the year ended June 1986, while pretax profits jumped 55 times to \$124 million. For the year ended last June, to be reported next week, analysts expect pretax earnings to surge again, to more than \$230 million on revenues of \$910 million.

"Amstrad has been the corporate phenomenon of the 1980s, not only in Britain but throughout Europe," said David Gibbons, an electronics analyst for James Capel & Co., a London brokerage house.

For Mr. Sugar, Amstrad's swift ascent has meant extraordinary wealth and national fame. At 41, he is said to be worth more than \$700 million, thanks to his 45 percent stake in Amstrad.

A native of London's working-class East End, who began his business career hawking car-radio serials from a van, Mr. Sugar has been hailed as the embodiment of the "enterprise spirit" and upward mobility that is the Thatcherite vision of Britain's future.

Yet to date, Amstrad has been little noticed in the world's largest and most sophisticated computer market, the United States. But Mr. Sugar hopes to change that.

Amstrad has made an uncharacteristically sluggish start in the U.S. market, which it entered cautiously almost two years ago. Until last fall, Amstrad's home computers were marketed by Sears-Roebuck & Co., a unit of Chicago-based Sears, Roebuck & Co.

Sears World Trade purchased fewer than the Amstrad's, not only in Britain but throughout Europe.

They said a fear of swelling the already bloated supply of makers in the domestic banking system would prevent the Bundesbank from selling marks too aggressively, and that any reduction in interest rates might fuel inflation concerns.

They noted that Japan, too, was in no position to lower interest rates, because the dollar's fundamental weakness will prevail.

In Paris, a dealer with a major U.S.-based bank said that the reputation by U.S. Treasury Secretary James A. Baker 3d, that other nations should continue efforts to increase growth, aroused concern that U.S. officials again may try to talk down the dollar.

Other French dealers focused more on the bank in any such action would be limited. They said a fear of swelling the already bloated supply of makers in the domestic banking system would prevent the Bundesbank from selling marks too aggressively, and that any reduction in interest rates might fuel inflation concerns.

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### Salomon Stock Rises After Investor Switch

By James Sterngold

**N**EW YORK — Salomon Inc. stock rose \$2.75 to \$34.75 in active trading Monday after it was disclosed that the investor Warren E. Buffett had agreed to pay \$700 million for a 12 percent stake in Salomon, parent of Salomon Brothers Inc.

Salomon Brothers, Wall Street's largest investment banking house, said Sunday it had concluded a complex transaction that rid it of a restless investor while gaining a new ally, Mr. Buffett's Berkshire Hathaway Inc.

Mr. Buffett is known as a sharp investor with an eye for undervalued securities.

In the two-step transaction, Salomon paid \$809 million, or \$38 a share, to buy back a 14 percent stake held by Minerals & Resources Corp., known as Minorco, a Bermuda-based holding company controlled by Anglo American Corp. of South Africa.

Those 21 million shares had represented the largest single holding in Salomon.

Minorco has been cutting its Salomon stake for several years. It said in a public filing two weeks ago that it intended to sell the rest of its stake.

John H. Gutfreund, Salomon's chairman, said he had held discussions with Mr. Buffett on several occasions about the possibility of Berkshire Hathaway investing in Salomon.

In the second step, Salomon said, it will sell 700,000 shares of a new issue of preferred stock to Berkshire Hathaway and a company controlled by it for \$1,000 a share.

The preferred stock will pay a 9 percent annual dividend and is convertible into Salomon shares at \$38 a share after three years.



Warren E. Buffett

The new stock represents 12 percent of Salomon's total voting rights.

The agreement marks a new twist to a recent trend on Wall Street in which a number of major firms have sought foreign investors.

Goldman, Sachs & Co. and Shearson Lehman Brothers both brought in Japanese investors to bolster their capital and international connections.

In this instance, Salomon, which also owns the Philip Brothers commodities trading firm, is shedding a foreign investor for a domestic one.

The deal also comes at a critical moment for Salomon Brothers. The firm has been engaged in a review of all its operations that is expected to result in some important shifts in its mix of businesses.

Salomon Inc. reported a 66 percent plunge in profit in the second quarter, to \$40 million from \$117 million a year earlier.

### Analysts Think Dollar Will Hold Firm, Then Fall

**L**ONDON — Many currency dealers in Europe said Monday that they thought the dollar would fall in the long term and that they had been disappointed by the Group of Seven's meeting last weekend because it had shed little light on the dollar's trend in the near future.

"Nothing new" came out of the talks among financial officials of the seven leading democratic industrial nations "and all the old problems are still there," said Geoffrey Dennis, an international economist with the stockbrokers James Capel & Co. in London.

The group's reaffirmation of February's currency stability accord had been widely expected, but the decision to cooperate on keeping exchange rates near current levels was seen as giving short-term support to the dollar and boosted it in trading Monday.

Most analysts said they thought the dollar would hold to its current level in the near term, at about 1.80 to 1.85 Deutsche marks, but saw it falling to 1.75 marks before the end of the year.

"The market feels secure holding dollars at the moment," said Chris Zwermsman, currency analyst at the Frankfurt office of Swiss Bank Corp. But, he added, "sooner or later

the dollar's fundamental weakness will prevail."

In Paris, a dealer with a major U.S.-based bank said that the reputation by U.S. Treasury Secretary James A. Baker 3d, that other nations should continue efforts to increase growth, aroused concern that U.S. officials again may try to talk down the dollar.

Other French dealers focused more on the bank in any such action would be limited. They said a fear of swelling the already bloated supply of makers in the domestic banking system would prevent the Bundesbank from selling marks too aggressively, and that any reduction in interest rates might fuel inflation concerns.

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Ernst Pollman, senior currency trader at Deutsche Girozentrale-Deutsche Kommunalbank. That rate was raised from 5.5 percent to 6 percent on Sept. 4.

Analysts and dealers in Britain noted that low unemployment levels in the United States and growing evidence of factory capacity restraint made a rise in interest rates more likely.

"They're reaching the point where a falling dollar will fuel inflation faster than normal," said Ian Amund of Chase Manhattan Securities in London.

In Switzerland, Alois Bischofberger, chief economist at Credit Suisse, said that he thought the dollar would remain relatively stable for three to six months. Citing a widening interest rate differential in favor of the dollar and improved growth prospects for the U.S. economy as main support factors, he said he thought the dollar would hover around 1.50 Swiss francs, with occasional swings to 1.45 or 1.55 francs.

But because of the pressure of rising U.S. inflation, a poor balance of payments and political uncertainties caused by the presidential election, he said, the dollar could dip to historic lows of about 1.35 francs in 1988. Its previous low, of 1.4445, was set on May 5, 1967.

Analysts said the United States likely will have to take most of the strain of any dollar weakness, by raising its discount rate again.

"The U.S. discount rate will probably have to rise again and the 30-year Treasury bond yield will go to 10 or 10 1/2 percent," said

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### Orders Off 12% For U.S.-Made Machine Tools

New York Times Service

**N**EW YORK — New orders for U.S.-made machine tools dropped 12.7 percent in August from the previous month's level, according to a report Monday by the National Machine Tool Builders' Association.

August's figures were a 7.8 percent decline from August 1986 and the second consecutive month of sizable decreases on new orders. The association said that weak capital spending was the principal reason.

Machine tools are power-driven devices used to shape metal parts. Their sales are an indicator of capital spending by heavy industry.

The report said new orders had fallen to \$142.3 million in August, from \$162.8 million in July, and were below the \$154.4 million of August of 1986.

## Currency Rates

Cross Rates	Sept. 29
London	1.80
Paris	1.80
Frankfurt	1.80
Geneva	1.80
Basel	1.80
Brussels	1.80
Amsterdam	1.80
Stockholm	1.80
Copenhagen	1.80
Helsinki	1.80
Tokyo	1.80
Sydney	1.80
Auckland	1.80
Wellington	1.80
Christchurch	1.80
Dunedin	1.80
Perth	1.80
Brisbane	1.80
Melbourne	1.80
Adelaide	1.80
Hobart	1.80
Tasmania	1.80
Queensland	1.80
Victoria	1.80
South Australia	1.80
Western Australia	1.80
North Australia	1.80
Central Australia	1.80
Eastern Australia	1.80
Southern Australia	1.80
Northern Australia	1.80
Central Australia	1.80
Eastern Australia	1.80
Southern Australia	1.80
Northern Australia	1.80

Source: Reuters, Bank of Tokyo, Citicorp, etc.

Other Dollar Values

Currency	Per \$
Argentine	1.80
Australian	1.80
Belgian	1.80
British	1.80
Canadian	1.80
Chinese	1.80
Danish	1.80
Deutsche	1.80
French	1.80
Italian	1.80
Japanese	1.80
Korean	1.80
Malaysian	1.80
Mexican	1.80
Norwegian	1.80
Portuguese	1.80
Spanish	1.80
Swedish	1.80
Swiss	1.80
Taiwanese	1.80
Thai	1.80
West German	1.80
Yugoslavian	1.80

Source: Reuters, Bank of Tokyo, Citicorp, etc.

Forward Rates

Currency	30-day	60-day	90-day
London	1.80	1.80	1.80
Paris	1.80	1.80	1.80
Frankfurt	1.80	1.80	1.80
Geneva	1.80	1.80	1.80
Basel	1.80	1.80	1.80
Brussels	1.80	1.80	1.80
Amsterdam	1.80	1.80	1.80
Stockholm	1.80	1.80	1.80
Copenhagen	1.80	1.80	1.80
Helsinki	1.80	1.80	1.80
Tokyo	1.80	1.80	1.80
Sydney	1.80	1.80	1.80
Auckland	1.80	1.80	1.80
Wellington	1.80	1.80	1.80
Christchurch	1.80	1.80	1.80
Dunedin	1.80	1.80	1.80
Perth	1.80	1.80	1.80
Brisbane	1.80	1.80	1.80
Melbourne	1.80	1.80	1.80
Adelaide	1.80	1.80	1.80
Hobart	1.80	1.80	1.80
Tasmania	1.80	1.80	1.80
Queensland	1.80	1.80	1.80
Victoria	1.80	1.80	1.80
South Australia	1.80	1.80	1.80
Western Australia	1.80	1.80	1.80
North Australia	1.80	1.80	1.80
Central Australia	1.80	1.80	1.80
Eastern Australia	1.80	1.80	1



NYSE Most Actives				
Vol.	High	Low	Last	Chg.
Boeing	57.75	57.50	57.50	+1/4
IBM	45.50	45.25	45.25	+1/4
AT&T	41.75	41.50	41.50	+1/4
General Electric	37.50	37.25	37.25	+1/4
Johnson & Johnson	35.50	35.25	35.25	+1/4
Merck	34.50	34.25	34.25	+1/4
Amgen	33.50	33.25	33.25	+1/4
Novartis	32.50	32.25	32.25	+1/4
Roche	31.50	31.25	31.25	+1/4
Novo	30.50	30.25	30.25	+1/4

Market Sales	
NYSE 4 p.m. volume	18,000,000
NYSE 4 p.m. volume	18,000,000
NYSE 4 p.m. volume	18,000,000
NYSE 4 p.m. volume	18,000,000
NYSE 4 p.m. volume	18,000,000
NYSE 4 p.m. volume	18,000,000
NYSE 4 p.m. volume	18,000,000
NYSE 4 p.m. volume	18,000,000
NYSE 4 p.m. volume	18,000,000
NYSE 4 p.m. volume	18,000,000

NYSE Index				
	High	Low	Close	Chg.
Composite	181.47	180.84	180.84	+1.69
Industries	223.24	222.44	222.44	+2.31
Utilities	77.98	77.47	77.47	+0.74
Finance	154.72	154.44	154.44	+0.19

Monday's NYSE Closing				
	High	Low	Close	Chg.
Composite	181.47	180.84	180.84	+1.69
Industries	223.24	222.44	222.44	+2.31
Utilities	77.98	77.47	77.47	+0.74
Finance	154.72	154.44	154.44	+0.19

AMEX Diary				
	Class	Prev.	Chg.	Chg.
Advanced	34	32	2	2
Declined	32	30	2	2
Unchanged	28	26	2	2
Total Issues	94	88	6	6

NASDAQ Index				
	High	Low	Close	Chg.
Composite	42.29	42.04	42.04	+0.25
Industries	47.24	46.99	46.99	+0.25
Utilities	41.27	41.02	41.02	+0.25
Finance	42.29	42.04	42.04	+0.25
Transport	41.71	41.46	41.46	+0.25

AMEX Most Actives				
Vol.	High	Low	Last	Chg.
IBM	45.50	45.25	45.25	+1/4
AT&T	41.75	41.50	41.50	+1/4
General Electric	37.50	37.25	37.25	+1/4
Johnson & Johnson	35.50	35.25	35.25	+1/4
Merck	34.50	34.25	34.25	+1/4

Dow Jones Bond Averages				
	Class	Chg.	Chg.	Chg.
Bonds	110.10	+0.10	+0.10	+0.10
Utilities	100.10	+0.10	+0.10	+0.10
Industries	100.10	+0.10	+0.10	+0.10

NYSE Diary				
	Class	Prev.	Chg.	Chg.
Advanced	34	32	2	2
Declined	32	30	2	2
Unchanged	28	26	2	2
Total Issues	94	88	6	6

Odd-Lot Trading in N.Y.				
	Buy	Sell	Chg.	Chg.
Sept. 25	24,400	24,400	0	0
Sept. 24	24,400	24,400	0	0
Sept. 23	24,400	24,400	0	0
Sept. 22	24,400	24,400	0	0
Sept. 21	24,400	24,400	0	0

Dow Jones Averages				
	Open	High	Low	Last
Index	244.44	244.44	244.44	244.44
Transp.	244.44	244.44	244.44	244.44
Utilities	244.44	244.44	244.44	244.44
SP 500	244.44	244.44	244.44	244.44

Standard & Poor's Index				
	High	Low	Close	Chg.
Industries	110.10	109.85	109.85	+0.25
Utilities	100.10	99.85	99.85	+0.25
Finance	110.10	109.85	109.85	+0.25
Transport	110.10	109.85	109.85	+0.25

NASDAQ Diary				
	Class	Prev.	Chg.	Chg.
Advanced	34	32	2	2
Declined	32	30	2	2
Unchanged	28	26	2	2
Total Issues	94	88	6	6

AMEX Stock Index				
	High	Low	Close	Chg.
Index	244.44	244.44	244.44	244.44
Transp.	244.44	244.44	244.44	244.44
Utilities	244.44	244.44	244.44	244.44
SP 500	244.44	244.44	244.44	244.44

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.

## Prices Rise Sharply on NYSE

**NEW YORK** — Prices on the New York Stock Exchange finished sharply higher Monday in active trading as fears lessened about the dollar's stability, encouraging a broad advance.

Analysts said investors reacted favorably to news that, over the weekend, officials from the Group of Seven major industrial democracies reaffirmed their intent to keep the dollar stable.

The Dow Jones industrial average climbed 31.33 points, to 2444.44, and was up as much as 45 points, near the 2615 level, at mid-afternoon. Advances outpaced declines by 1,006 to 592 among the 1,976 issues traded on the exchange.

Broad-market indexes also rose. The New York Stock Exchange composite index jumped 1.60, to 180.84, and Standard & Poor's 500-stock index climbed 3.04, to 323.20. The price of an average share rose 37 cents.

Big Board volume amounted to about 188,070,000 shares, compared with 137,959,780 traded Friday.

Analysts said the Group of Seven's reaffirmation of the dollar-exchange rate targets agreed to in February in Paris eased some worries about the inflation and interest rate outlook.

"The Group of Seven indicated that they would stand by the original accord," said Monte Gordon, research director at Dreyfus Corp. Combined with President Ronald Reagan's decision to sign Congress' deficit-reduction bill, this let investors know that they would be operating in a more stable environment, he said.

Things have quieted down; worry about inflation and higher interest rates has eased to some extent," he said, while emphasizing that

"investors are still jumping at noises in the night."

Some technical analysts said they believed that the market had reversed the correction that saw the Dow finish below 2500 on Sept. 21.

Pacific Telesis was the most active NYSE-listed issue, climbing 1 1/4 to 33. Southern California Edison followed, adding 1/4 to 32 1/2, with IC Industries third, jumping 3/4 to 41 1/4.

The oil company of Wall Street's largest investment banking house will sell a 12 percent stake to investor Warren Buffett in a deal that involved buying back a 14 percent stake owned by Minerals & Resources Corp. Ltd.

Hershey Foods fell 1 1/2 to 33 1/2 as takeover speculation waned. The stock rose Friday on a rumor that Philip Morris may want to buy the chocolate company.

Among blue chips, AT&T rose 1/4 to 34 1/4. General Electric added 1/4 to 37 1/4. Union Carbide rose 1/4 to 28 1/4. USX jumped 1/4 to 37 1/4. Eastman Kodak climbed 1/4 to 10 1/4. Merck spurted 1/4 to 34 1/4. Westinghouse rose 1/4 to 34 1/4. Philip Morris advanced 1/4 to 119 and American Express dropped 1/4 to 34 1/4.

IBM fell 3/4 to 45 1/4. An influential financial weekly quoted a Cowen & Co. analyst as saying he expected the stock to fall to the 130s.

CBS jumped 7/8 to 51 1/4 on a report that its directors will make a decision this week on Sony's offer to buy CBS records unit.

The oil stocks attracted buyers, with Exxon rising 1/4 to 49 1/4, Chevron adding 1/4 to 53 1/4. Texaco edged up 1/4 to 41. Pennzoil climbed 1/4 to 71 1/4 and Atlantic Richfield rising 1/4 to 93 1/4.

12 Month High	Low	Stock	Div. Yld. PE	52 High	52 Low	Close	Chg.
12.50	12.00	Boeing	4.00 15.00	125.00	120.00	122.50	+2.50
11.00	10.50	IBM	3.50 12.00	110.00	105.00	107.50	+2.50
10.00	9.50	AT&T	3.00 11.00	100.00	95.00	97.50	+2.50
9.00	8.50	General Electric	2.50 10.00	90.00	85.00	87.50	+2.50
8.00	7.50	Johnson & Johnson	2.00 9.00	80.00	75.00	77.50	+2.50

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10.00	9.50	AT&T	3.00 11.00	100.00	95.00	97.50	+2.50
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10.00	9.50	AT&T	3.00 11.00	100.00	95.00	97.50	+2.50
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10.00	9.50	AT&T	3.00 11.00	100.00	95.00	97.50	+2.50
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8.00	7.50	Johnson & Johnson	2.00 9.00	80.00	75.00	77.50	+2.50

12 Month High	Low	Stock	Div. Yld. PE	52 High	52
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# Monday's AMEX Closing

Tables include the nationwide prices as to the closing on Wall Street and do not reflect late trades elsewhere.

*via The Associated Press*

12 Month	High	Low	Stock	Div.	Yld.	PE	St.	100s	High	Low	Close	Chg.
12	100	95	ABN	1.20	4.3	12.0	100	100	100	100	100	100
12	100	95	ABN	1.20	4.3	12.0	100	100	100	100	100	100
12	100	95	ABN	1.20	4.3	12.0	100	100	100	100	100	100
12	100	95	ABN	1.20	4.3	12.0	100	100	100	100	100	100
12	100	95	ABN	1.20	4.3	12.0	100	100	100	100	100	100
12	100	95	ABN	1.20	4.3	12.0	100	100	100	100	100	100
12	100	95	ABN	1.20	4.3	12.0	100	100	100	100	100	100
12	100	95	ABN	1.20	4.3	12.0	100	100	100	100	100	100
12	100	95	ABN	1.20	4.3	12.0	100	100	100	100	100	100
12	100	95	ABN	1.20	4.3	12.0	100	100	100	100	100	100

12 Month	High	Low	Stock	Div.	Yld.	PE	St.	100s	High	Low	Close	Chg.
12	100	95	ABN	1.20	4.3	12.0	100	100	100	100	100	100
12	100	95	ABN	1.20	4.3	12.0	100	100	100	100	100	100
12	100	95	ABN	1.20	4.3	12.0	100	100	100	100	100	100
12	100	95	ABN	1.20	4.3	12.0	100	100	100	100	100	100
12	100	95	ABN	1.20	4.3	12.0	100	100	100	100	100	100
12	100	95	ABN	1.20	4.3	12.0	100	100	100	100	100	100
12	100	95	ABN	1.20	4.3	12.0	100	100	100	100	100	100
12	100	95	ABN	1.20	4.3	12.0	100	100	100	100	100	100
12	100	95	ABN	1.20	4.3	12.0	100	100	100	100	100	100

12 Month	High	Low	Stock	Div.	Yld.	PE	St.	100s	High	Low	Close	Chg.
12	100	95	ABN	1.20	4.3	12.0	100	100	100	100	100	100
12	100	95	ABN	1.20	4.3	12.0	100	100	100	100	100	100
12	100	95	ABN	1.20	4.3	12.0	100	100	100	100	100	100
12	100	95	ABN	1.20	4.3	12.0	100	100	100	100	100	100
12	100	95	ABN	1.20	4.3	12.0	100	100	100	100	100	100
12	100	95	ABN	1.20	4.3	12.0	100	100	100	100	100	100
12	100	95	ABN	1.20	4.3	12.0	100	100	100	100	100	100
12	100	95	ABN	1.20	4.3	12.0	100	100	100	100	100	100
12	100	95	ABN	1.20	4.3	12.0	100	100	100	100	100	100

12 Month	High	Low	Stock	Div.	Yld.	PE	St.	100s	High	Low	Close	Chg.
12	100	95	ABN	1.20	4.3	12.0	100	100	100	100	100	100
12	100	95	ABN	1.20	4.3	12.0	100	100	100	100	100	100
12	100	95	ABN	1.20	4.3	12.0	100	100	100	100	100	100
12	100	95	ABN	1.20	4.3	12.0	100	100	100	100	100	100
12	100	95	ABN	1.20	4.3	12.0	100	100	100	100	100	100
12	100	95	ABN	1.20	4.3	12.0	100	100	100	100	100	100
12	100	95	ABN	1.20	4.3	12.0	100	100	100	100	100	100
12	100	95	ABN	1.20	4.3	12.0	100	100	100	100	100	100
12	100	95	ABN	1.20	4.3	12.0	100	100	100	100	100	100

12 Month	High	Low	Stock	Div.	Yld.	PE	St.	100s	High	Low	Close	Chg.
12	100	95	ABN	1.20	4.3	12.0	100	100	100	100	100	100
12	100	95	ABN	1.20	4.3	12.0	100	100	100	100	100	100
12	100	95	ABN	1.20	4.3	12.0	100	100	100	100	100	100
12	100	95	ABN	1.20	4.3	12.0	100	100	100	100	100	100
12	100	95	ABN	1.20	4.3	12.0	100	100	100	100	100	100
12	100	95	ABN	1.20	4.3	12.0	100	100	100	100	100	100
12	100	95	ABN	1.20	4.3	12.0	100	100	100	100	100	100
12	100	95	ABN	1.20	4.3	12.0	100	100	100	100	100	100
12	100	95	ABN	1.20	4.3	12.0	100	100	100	100	100	100

12 Month	High	Low	Stock	Div.	Yld.	PE	St.	100s	High	Low	Close	Chg.
12	100	95	ABN	1.20	4.3	12.0	100	100	100	100	100	100
12	100	95	ABN	1.20	4.3	12.0	100	100	100	100	100	100
12	100	95	ABN	1.20	4.3	12.0	100	100	100	100	100	100
12	100	95	ABN	1.20	4.3	12.0	100	100	100	100	100	100
12	100	95	ABN	1.20	4.3	12.0	100	100	100	100	100	100
12	100	95	ABN	1.20	4.3	12.0	100	100	100	100	100	100
12	100	95	ABN	1.20	4.3	12.0	100	100	100	100	100	100
12	100	95	ABN	1.20	4.3	12.0	100	100	100	100	100	100
12	100	95	ABN	1.20	4.3	12.0	100	100	100	100	100	100

**Business Round**

**Judge Freezes**

**Warehouse Rejoins \$2 Billion a**

**AMSTRAD: U**

**W one for \$50**

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**W one for \$50**

**Marlboro 100's**

**Marlboro FILTER CIGARETTES**



## Judge Freezes Holding in Newmont

**The Associated Press**  
WILMINGTON, Delaware — Consolidated Gold Fields PLC, the British company that is trying to help Newmont Mining Corp. do a hostile bid by T. Boone Pickens, can complete its recent purchases of 15.8 million shares of Newmont stock but must hold them inactive until a hearing later this week, a Delaware judge ruled Monday.

Vice Chancellor Jack B. Jacobs of Delaware Chancery Court ordered Consolidated Gold Fields either to place in escrow or hold separately the \$1.5 billion worth of shares it scooped up in a "market sweep" last week.

That purchase prevented Mr.

Pickens from proceeding with his bid for control.

Judge Jacobs said "those shares shall not be voted or otherwise used to alter the status quo."

The ruling came in the form of a written amendment to a temporary restraining order Judge Jacobs had issued last week at the request of Mr. Pickens's group, Ivanhoe Partners. The temporary order blocked Consolidated from buying any more Newmont shares.

Judge Jacobs said the fate of the 15.8 million shares, which would raise Consolidated's share in Newmont to 49.7 percent, would be addressed at a hearing on Thursday.

In his ruling Monday, the judge

appeared to agree with arguments in support of Consolidated and Newmont that undoing the massive purchases would be unprecedented and probably undermine market confidence.

The New York Stock Exchange and National Securities Clearing Corp. filed an affidavit Friday seeking to block the Pickens effort to undo the Consolidated purchase.

The judge directed attorneys in the battle to further consider how to resolve the question, including the possibility of allowing Mr. Pickens and Consolidated to bid competitively for the separately held stock.

Newmont stock rose \$2 a share to \$97 on the New York Stock Exchange after the ruling Monday, apparently reflecting investors' belief that the judge's order means the takeover battle is far from over.

Lawyers for Ivanhoe had contended that an agreement under which Newmont allowed Consolidated to buy up to 49.9 percent of its stock amounted to an illegal scheme that would hurt Newmont shareholders by preventing Ivanhoe's latest takeover offer from proceeding.

Both sides had said they would not oppose a temporary solution under which Consolidated's Newmont shares are held in escrow until the matter is resolved.

**Disney to Buy Weather Corp.**

**The Associated Press**  
BURBANK, California — Walt Disney Co. said Monday it had agreed with Industrial Equity Pacific Ltd. of Australia to buy Weather Corp. for \$152 million. Weather is known as the owner of the Disneyland Hotel.

## Dassault Warns of Job Cuts

*Special to the Herald Tribune*

PARIS — Avions Marcel Dassault-Breguet Aviation, which has reported a severe drop in foreign orders for its Mirage jet fighters, is sending letters to its 15,000 employees this week warning that more employment cuts will be necessary.

A company spokeswoman said she did not know how many jobs would be affected, but the newspaper Le Monde said Monday that as many as 1,000 may be cut. Earlier this year, Dassault cut 833 jobs.

The French government gave Dassault the go-ahead in February to develop its next generation of fighter plane, the Rafale, but production isn't expected to begin until 1994.

Le Monde reported that the letter was signed by the company's chairman, Serge Dassault, who called the situation "very worrying" and said it "obliges us to re-examine the problem of our work force, which is becoming rapidly over-abundant."

Dassault reported Sept. 17 that pretax earnings in the first half of 1987 fell 90 percent, to 42.6 million francs (about \$7 million at current rates) from 427.7 million francs a year earlier. Sales were flat, at 6.6 billion francs. That decline in net earnings followed a 36 percent drop in 1986, to 293.4 million francs, on sales of 15.6 billion francs.

The company's stock, which has declined significantly this year, closed Monday on the Paris Bourse at 980 francs, up from 960 Friday.

## Employees Acquire Avis In \$1.75 Billion Buyout

*Compiled by Our Staff From Dispatches*

GARDEN CITY, New York — Employees have bought Avis Inc., the second-biggest U.S. car rental company, for \$1.75 billion from Wesray Capital Corp., Avis said Monday.

It said that the transaction was accomplished through an employee stock ownership plan in which its 11,000 workers bought all of Avis' outstanding shares.

Wesray is a privately held company specializing in leveraged buyouts. Wesray investors, including Avis management, acquired the car rental company in July 1986 from Beatrice Co. for \$265 million in cash. Wesray also assumed \$1.34 billion in Avis debt.

In a leveraged buyout, a group, usually management, borrows money to acquire a company and repays the loans with earnings of the company or sale of its assets.

Avis said that the employees would assume the company's debt under the stock ownership plan. The company also said that its chairman and chief executive officer, J. Patrick Barrett, had resigned and would be succeeded by Avis' president and chief operating officer, Joseph V. Vittoria.

Mr. Vittoria began his career at Avis but spent four years at Hertz Corp., the biggest U.S. car rental company, before returning in 1982.

It was announced last week that Avis was involved in talks on a possible sale. A company spokesman, John Britton, said then that its options included a sale to the public through a stock offering.

Avis said that the employee purchase was financed by \$395 million in loans from General Motors Acceptance Corp., Pittsburgh National Bank and Chrysler Credit Corp.

An additional \$1 billion in loans was received from a syndicate headed by Irving Bank Corp. Avis said that bridge financing of \$255 million was provided by Drexel Burnham Lambert Group Inc. and Kleinwort Benson Ltd.

The company said that \$135 million was raised through the sale of preferred stock to shareholders in exchange for common stock.

(AP, Reuters)

## Storehouse Rejects Benlox Bid Of £2 Billion as Low in Value

*Reuters*

LONDON — Storehouse PLC, the British retailing group, said Monday it had rejected a bid by the engineering and investment group Benlox PLC valued at £2.04 billion (\$3.35 billion).

Storehouse said that its board sees no merit in Benlox's proposal and notes that Storehouse shareholders are being offered a package of questionable value with no cash alternative.

Storehouse owns the specialty foodstore, Habitat, and British homes stores chain, Benlox could break the company up and sell most of its parts, retaining only one peripheral property assets.

Benlox advanced a bid Sunday for 11 ordinary Benlox shares at every 2 ordinary Storehouse

shares and valuing Storehouse shares at 501 pence each.

Storehouse's shares rose on news of the bid to close at 384 pence Monday on the London Stock Exchange, up from 349 pence Friday.

Benlox's offer follows Storehouse's rejection last week of a bid by the Mountleigh property group. That offer was valued at £1.8 billion, or 445 pence per share.

The board said it would recommend that shareholders reject the offer. But Peter Earl, a financial adviser to Benlox, said he was confident the bid would succeed.

He contended that Storehouse shareholders resented that they had not been given a chance to vote on the Mountleigh bid. "That sentiment was the catalyst for us making an offer," he said.

## AMSTRAD: U.K. Computer Firm, Leader in Europe, Expected to Find U.S. Market Tougher

*Continued from first finance page*

specied 100,000 units of Amstrad's basic inexpensive word processor, a best-seller in Europe, and were really marketed the product aggressively, according to Mr. Sugar.

"Sears didn't have a clue," Mr. Sugar claimed. "They got it all wrong."

But American analysts said the slower sales were as much Amstrad's fault as Sears. In the more competitive U.S. market, they said, Amstrad's price and product simply did not stand out the way they do in Europe.

To help increase its presence in the United States, Amstrad earlier this month acquired its Texas-based distributor, Video, for \$7.5 million. The purchase gives Amstrad greater control over its U.S. marketing and eliminates pay-

ments to a middleman distributor, reducing cost pressures.

By the middle of next year, Mr. Sugar said, he hopes to increase U.S. sales as a percentage of Amstrad's revenues from the current 8 percent to about 30 percent. And before the end of the decade, he said, the United States could well become Amstrad's leading market.

Currently it sells about 9,000 units a month of its IBM-compatible PC-1512 through 900 dealers. The PC-1512 range, launched in the United States last January, sells for from \$599 to \$1,599, depending on options.

Amstrad will introduce two new computer lines in the United States next month. The PCW-9512 word processor, priced at \$799, includes a computer and letter-quality daisy-wheel printer. It will also move upmarket with the PC-1640 range

of IBM-compatible computers, which offers more features than the PC-1512. The PC-1640 ranges will sell for \$899 to \$1,999.

Amstrad's prospects in the U.S. market are uncertain, according to analysts. In Europe, the key to success has been to offer low-cost but dependable products into a market that was in its formative stage, attracting first-time computer owners.

Mr. Sugar himself defines Amstrad's marketing philosophy as "pile 'em high, and sell 'em cheap."

Yet in the United States, analysts said, Amstrad will be competing with the masters of low-cost, high-volume production, the South Korean, Japanese and Taiwanese personal computer makers, who have targeted the U.S. market much more than they have targeted Europe.

Mr. Sugar is the first to point out that Amstrad is a marketing entity, not a technology company.

As a trader-marketer, Amstrad can be fast-moving. "Bureaucracy" is a term Mr. Sugar uses with contempt. With just 700 employees worldwide, fewer than 200 of them in Britain, there seems little imminent danger of Amstrad being stifled by bureaucracy.

However, skeptics point out that every function turned out to someone else means paying a middleman. In the more cutthroat U.S. market, they predict, those additional costs will mean Amstrad will have a hard time competing against the aggressive East Asian producers, who are willing to cut profits to nil to gain market share.

"Amstrad's whole philosophy is to give the customer a decent product at a price," noted Seymour

Merrin, a computer consultant based in Southport, Connecticut. "And I doubt Amstrad can match the price or the product here. For what they are selling, Amstrad's computers are just too pricey for this market."

"Amstrad has done fabulously in Europe," said Gordon Curran, a Paris-based market research firm. "But Sugar will face tremendous stiff competition in the U.S."

Still, most analysts remain optimistic about Amstrad's future in general, with European markets including France, Spain, Italy and West Germany offering potential growth for several years. From now on, analysts say, Amstrad's growth may not be as explosive as in the past, but should still average 20 percent annually for the next several years.

## Immediate Premium Expected for BP Issue

*Reuters*

LONDON — The fixed-price shares of British Petroleum Co. being sold by the government are expected to begin trading immediately at a premium of 25 to 30 percent when dealing begins at the end of October, according to merchant bankers and analysts.

The shares represent about half of the government's \$7.5 billion (\$12.3 billion) total offering.

The fixed-price offering will be made to the British public and existing BP shareholders. Payment for the shares will be in three roughly equal installments on application in October, in August 1988 and in April 1989.

The analysts predicted that those shares would be offered to individual investors at a fixed price about 5

percent below the prevailing market price and with a much higher yield than fully paid BP shares will have.

The rest of the shares will be sold in an international offering to British institutions and foreign investors.

Michael Richardson, the managing director of N.M. Rothschild & Sons Ltd., the government's adviser for the issue, said that a market premium of about 25 percent could result if the private-investor tranche were priced at about 340 pence and if fully paid shares were priced at about 360 pence on the market.

BP shares closed Monday in London at 376.50 pence, up from 374 pence Friday.

The international tranche will be marketed through investment deal-

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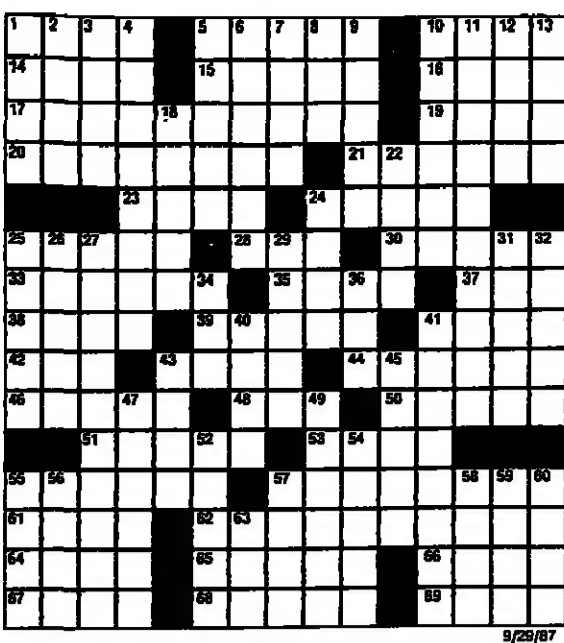












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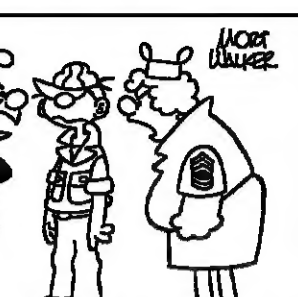
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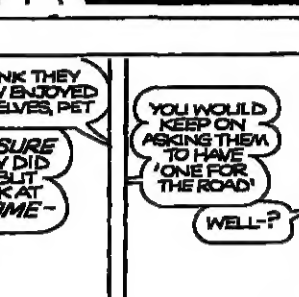
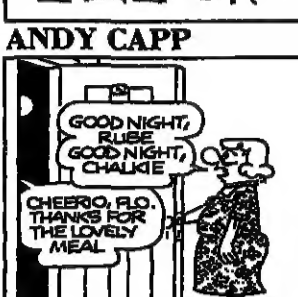
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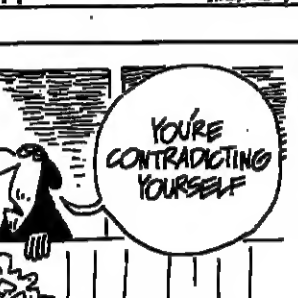
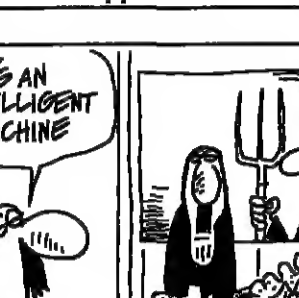
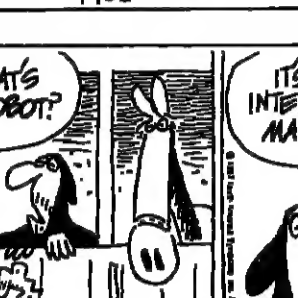
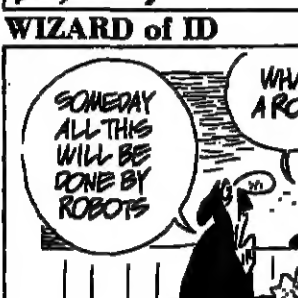
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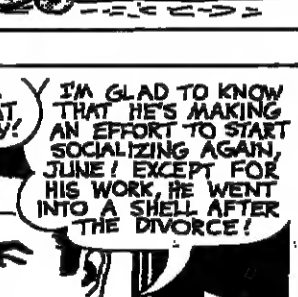
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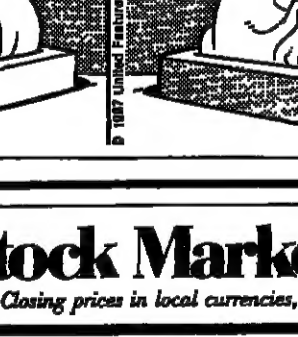
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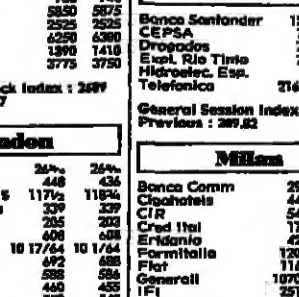
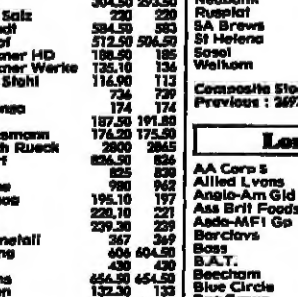
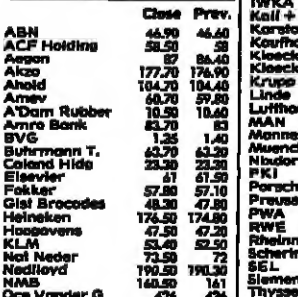
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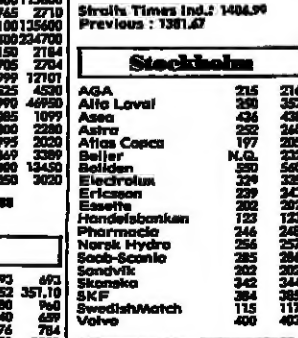
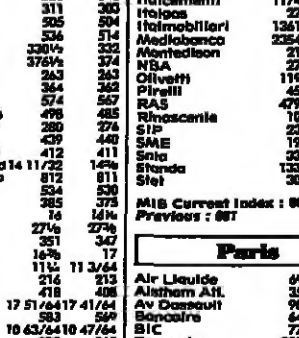
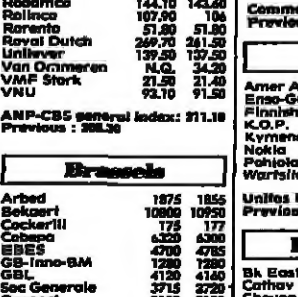
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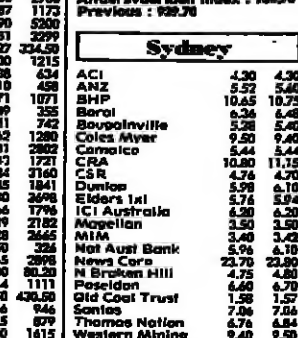
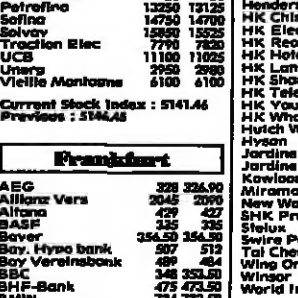
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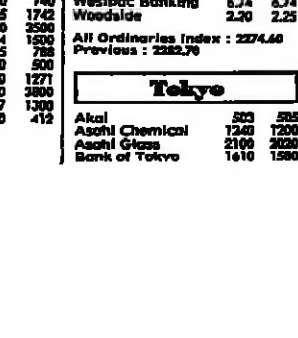
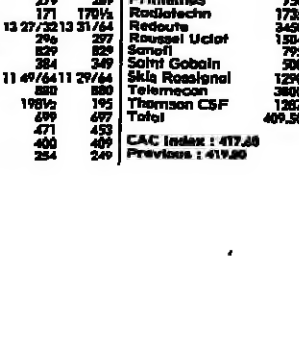
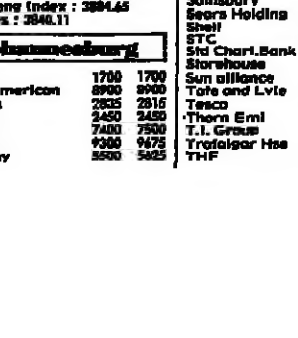
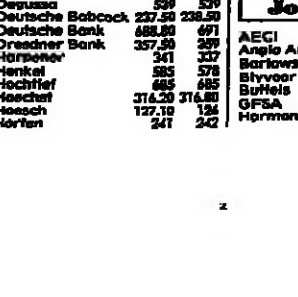
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## TUESDAY'S FORECAST



## BOOKS

**A MAN OF INFLUENCE: The Extraordinary Career of S.G. Warburg**  
By Jacques Attali. Translated by Barbara Ellis. 380 pages. \$22.50. Adler & Adler, 4550 Montgomery Avenue, Bethesda, Md. 20815.

Reviewed by Jeffrey E. Garten

WHEN Sir Sigmund Warburg died on Oct. 18, 1982, The Times of London eulogized him as the principal force behind the British capital's emergence as the center of international finance in the 1930s and 70s. It praised this financier, who fled to England from Hitler's Germany in 1933, as being more concerned with banking as a profession than as a means of self-enrichment. This, too, is the admiring picture painted in "A Man of Influence" by Jacques Attali, a top economic adviser to President François Mitterrand of France.

In fact, "A Man of Influence" was originally published in France in 1985 amid raised eyebrows that a Socialist economist would write a biography that so flattered one of this century's great capitalists. Perhaps a bigger surprise is that the story could be told at all, given Warburg's legendary secretiveness. He left behind very few letters, and it is said that during his career he gave only two public interviews.

The lack of source material goes a long way to explain why Attali focuses as much on broad social and historical issues as on Warburg himself. At least half the book is a fast-moving history of international European finance from the mid-1800s to Warburg's death. There are accounts of the dramatic rise and the crushing collapse of Germany twice in this century. There is the saga of the birth of the Euro-market, the emergence of international corporate takeovers, the changing role of England in world trade and finance.

Against this background Attali provides a glowing account of Warburg's accomplishments. On a political plane Warburg counseled more than one British prime minister. He was a supporter of British retrenchment abroad to reduce payment deficits. He backed Palestine as a sanctuary for Jewish refugees and advocated early British membership in the Common Market. Despite Warburg's efforts, however, he was always very much an outsider — never a part of any government as was, say, Bernard Baruch in the United States, or otherwise as close to political power as were the Rothschilds in England and France.

But in business Warburg had few peers, and it is in the description of his financial innovations that the story becomes particularly intriguing. After World War II, for example, Warburg positioned himself between individual shareholders of British companies and the government, helping to facilitate a wave of

nationalization in the electric, steel and other industries. In 1956, he was the first behind the first postwar European loan in the United States, for the European Steel Community. He then became architect of the first major hostile takeover, helping Alcoa to gobble up the Aluminum. In the early 1960s he brought first major company — IRI, the gigantic Italian state holding company — to the French market.

Aside from its tone of uncritical admiration, the book's major shortcoming is that Warburg as a person is only superficially depicted. Attali quotes one of Warburg's favorite sayings from Oscar Wilde: "In this world there are only two tragedies. One is not getting what you want and the other is getting it." There is enough here about what Warburg got. As a Jewish emigrant, he was forever fighting the entrenched hierarchy of the society. Did he resent the battle, and even feel he had truly won? After World War II, he was constantly trying to rebuild his life in Hamburg and Frankfurt. But how really felt about Germany after Hitler? He was his anguish when his only son died of set up his own firm of consultants.

Although Warburg died less than five years ago, Attali's story is very much one of a private man in a public world. Warburg's influence in a bygone era. Warburg belonged to a generation of Jewish financiers who included men like the late Sidney Weintraub, senior partner at Goldman, Sachs and Co. out as a junior's assistant, and the late Meyer, the managing partner at Lazard Frères, who began as a runner at the Paris exchange. Each accumulated great wealth without inheritance and great public life without ever holding a government post. became rich and powerful by cultivating personal relationships with corporate and political titans, and by capturing these people with his financial shrewdness. For men, influence resulted almost exclusively from personal stature and ability.

Today, of course, the connection between private money and political power still exists, but the financial landscape is dominated by the mass media and by billions of dollars of capital and many thousands of people necessary to compete in today's 24-hour market. Whatever the impact of financial glomerates on world politics and finance, it is certain: The current scene would have been Sigmund Warburg's cup of

Jeffrey E. Garten, an investment banker, former State Department official, wrote this review for The New York Times.

## ABOUT THE AUTHOR

Unlikely Subject for Socialist Wunderkind  
By Steven Greenhouse  
New York Times Service

PARIS — As one of France's Socialist Socialist wunderkind, Jacques Attali — right-hand man to President François Mitterrand and author of a dozen books — might not be expected to write about Sigmund Warburg, one of this century's shrewdest capitalists.

But Attali, a shy, somewhat mischievous former professor, said London investment banker and refugee from Nazi Germany was a natural subject for him.

"He was one of the great financial innovators of the century," Attali explained, "and he never gave up being a real scholar."

The 44-year-old author said he met Warburg once and came away with more respect than ever for the man.

"We spent much more time talking about Greek literature and the future of the Jewish people than about his life," Attali said.

French reviewers of the book said similar-

ities between the two men undoubtedly

the author to his subject.

Like Warburg, Attali enjoys working in

the scenes in politics — he was France's

at the Venice Economic Summit.

And like Warburg, the author is Jewish

by the history and future of the Jewish

— Attali was born in Algeria and his

merchant who had wanted to be a

merged his son in the writings of Spinoza.

So what did this Socialist scholar

his two years writing about a great

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